East Midlands FRESA Targets Project

A report prepared for emda

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December 2003

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**East Midlands FRESA Targets Project**

**Final Report**

**December 2003**

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<tr>
<th>Factor</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The range of Quality Job Offers that exist</td>
</tr>
<tr>
<td>2</td>
<td>The Skills of People in the region</td>
</tr>
<tr>
<td>3</td>
<td>The Degree of Match between the skills of individuals and the employment opportunities across the region</td>
</tr>
<tr>
<td>4</td>
<td>Active Movement in the market as people move up and across, as well as in and out of the market</td>
</tr>
<tr>
<td>5</td>
<td>The Ability of Suppliers to Forecast, Identify and Meet the skills needs of customers through accessible learning opportunities</td>
</tr>
<tr>
<td>6</td>
<td>Organisations that Recognise the Value of investing in the development of a multi-skilled workforce</td>
</tr>
<tr>
<td>7</td>
<td>Businesses can acquire the Right Skills they need to ensure survival, maintenance and growth</td>
</tr>
<tr>
<td>8</td>
<td>Individuals that are aspirational and View Learning as an Asset that will increase their employability, earnings potential and quality of life</td>
</tr>
<tr>
<td>9</td>
<td>A balance between supply and demand to create the Right Skills Mix to meet the region’s needs in moving forward</td>
</tr>
<tr>
<td>10</td>
<td>Funding Process</td>
</tr>
<tr>
<td>11</td>
<td>A Supportive Infrastructure</td>
</tr>
</tbody>
</table>

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3.2.5 Final comments
PART 1: INTRODUCTION

1.1 Purpose of the Project

This East Midlands FRESA Targets project is concerned with:
1. Undertaking a mapping exercise of targets / performance indicators pertinent to employment and skills in current use by key national, regional and sub-regional organisations in the East Midlands.
2. Assessing the extent to which the targets are consistent or otherwise.
3. Developing recommendations on the appropriate indicators for use in a targeting framework to support the East Midlands Framework for Regional Employment and Skills Action (FRESA). These recommendations were developed keeping in mind the availability and quality of data at national, regional and local levels for operationalisation of such indicators to inform the establishment of targets. The recommendations were considered by a technical Working Group comprising representatives of the organisations represented on the FRESA Forum prior to submission to a full meeting of the FRESA Forum in late September 2003. (Some slight amendments were made to the proposals following the FRESA Forum meeting in September 2003, and these are highlighted in this report.)

1.2 The East Midlands FRESA

1.2.1 Background

The East Midlands FRESA (see Section 2.2 for further details), along with the FRESAs for other regions in England, was commissioned jointly by the Secretaries of State for Work and Pensions, Trade and Industry, and Education and Skills in July 2001 and produced in October 2002. An update of the FRESA was due to be completed in October 2003.

The FRESA is intended set skills and employment firmly within the context of the overall development of the region, as reflected in the Regional Economic Strategies. Hence, it reflects the importance of the link between skills, employment, productivity and competitiveness on the one hand, and the long-run success of businesses and individuals in their regions on the other.

The rationale behind the development of FRESAs was that to ensure the success of individuals, businesses, communities and regions, effective links need to be made between the skills and employability of the individual, the enterprise of communities and regions, innovation in business and the UK’s science base.

Moreover, the FRESA is intended to bring together the work of different agencies and partners in each region, in order to share local and sectoral knowledge and expertise to the benefit of all. Each FRESA provides a single plan – based on an evidence base of coherent, valid and accessible labour market and skills information – to serve as a focus for what needs to happen in a region to maintain and grow a ‘healthy labour market’.

1.2.2 The concept of a ‘healthy labour market’

‘Healthy’ is not a descriptor that has conventionally been used in conjunction with ‘labour markets’. Yet it is a valuable term, in that it seeks to encompass something broader than relatively narrow economic concepts of ‘efficiency’ or ‘flexibility’. In essence, a ‘healthy labour market’ may be conceptualised as one that produces desirable results – both socially and economically. Moreover, a

1 Including local Learning and Skills Councils, Jobcentre Plus, universities, Business Links and others.
2 In the October 2002 East Midlands FRESA the definition used is ‘a balanced but aspirational labour market’.
‘healthy labour market’ should be sustainable over time. Hence, a ‘healthy labour market’ is a dynamic labour market in that ‘good quality’ jobs will be sustained, and new growth sectors / occupations will be attracted to the region.

In a healthy labour market there are skills and job opportunities at all levels of the economy, but the emphasis is on moving the labour market up the skills and value chain and ensuring that there is an upwardly mobile progression route for those who choose to take it. Hence, there is:

- a strong demand side – in terms of the quantity and balance / quality of jobs (in terms of the range of industries, occupations and skill requirements covered) that the labour market generates;
- a strong supply side – relating to the number and characteristics of the people able to take those jobs; and
- efficient and equitable functioning to bring together the demand and supply sides of the labour market.

1.3 Scope of the Report

This report is divided into two parts.

Part 2 presents the results of the Mapping Exercise. First, the scope of the mapping exercise is outlined (Section 2.1). Secondly, an overview and assessment of key sources is presented – taking each source in turn (Section 2.2). Finally, an overview and assessment of key issues, findings and conclusions from the mapping exercise is presented.

Part 3 is concerned with presenting Recommendations on the appropriate targeting framework to support the East Midlands FRESA. First, the context for the recommendations is set out (Section 3.1). Secondly, appropriate candidate indicators for use in the East Midlands FRESA targetry framework are identified and recommended (Section 3.2).
PART 2: THE MAPPING EXERCISE

2.1 Scope of the Mapping Exercise

2.1.1 Introduction

The mapping exercise involved:

a) Production of a list of Key Sources of Targets / Indicators for review:
   A. Framework for Regional Employment and Skills Action
   B. DTI Regional Competitiveness Indicators and State of the Region Indicators
   C. East Midlands Development Agency (emda)
   D. East Midlands State of the Region Report and Regional Economic Strategy
   E. Government Office for the East Midlands (GOEM)
   F. Department for Education and Skills, Learning and Skills Council (including local arms), Learning Partnerships and Information, Advice and Guidance Partnerships
   G. Sector Skills Development Agency
   H. Small Business Service
   I. Business Link
   J. Jobcentre Plus
   K. Sub Regional Strategic Partnerships
   L. Local Strategic Partnerships
   M. Learndirect.

b) Drawing up a list of Assessment Criteria for the Mapping Exercise (see section 2.1.3).

c) Review of relevant contextual information.

d) Review and assessment of key sources / indicators.

e) Interviews (face-to-face and by phone) of selected ‘key players’.

2.1.2 Targets and indicators

Ideally, FRESA targets should have unambiguous relations with the FRESA vision, and associated indicators should be based on robust data and be accompanied by a clear narration of direction and purpose. Indicators should possess the following qualities:

- transparency
- simplicity
- relevancy
- reliability
- consistency, comparability and continuity – so enabling derivation of a consistent time series across geographical areas of interest
- being based on up-to-date data
- have a clear interpretation

In reality, the dynamism of the information base, changes in the scope of definitions, incomplete and inconsistent coverage of sources and (in some instances) lack of access to required data compromises these ideals.

Moreover, some indicators that partners might wish to measure (e.g. an increase in self-confidence of individuals participating in learning) may not to susceptible to quantification.

As a result, many indicators are specified and adopted on the basis of what can be measured (at the geographical scale and with the timeliness available), rather than what ideally partners may want to
measure. As noted by HM Treasury et al. (2001): “It’s rarely possible to have the perfect performance measure – defining measures, setting targets and collecting performance information is a balancing act between using the ideal information and using what is possible, available, affordable and most appropriate to the particular circumstances.”

### 2.1.3 Assessment criteria

At the outset of the project a template (reproduced below) outlining the criteria for assessing indicators and targets was set out for use in the mapping exercise. The criteria include:

- indicator/target
- organisational origin
- data capture – including the time dimension, the spatial dimension and other classifications; and
- assessment.

<table>
<thead>
<tr>
<th>Indicator / Target</th>
<th>name</th>
</tr>
</thead>
<tbody>
<tr>
<td>brief description</td>
<td></td>
</tr>
<tr>
<td>measurement category (contextual, input, output, outcome)</td>
<td></td>
</tr>
</tbody>
</table>

Organisational ‘origin’

| origin (i.e. whether a ‘national requirement’ or a ‘local decision’) |
| relationship to funding streams (i.e. whether or not the indicator is associated with a funding stream) |

Data Capture

| type of data (e.g. employer survey, household survey, census, administrative records, etc) |
| data source (e.g. Labour Force Survey, Employer Skills Survey, etc)1 |

- the **Time** dimension

| updateability (including whether the relevant data are available as a time series, frequency and scheduling of updating, and elapsed time between data collection and publication) |

- the **Spatial** dimension

| geographical coverage and spatial disaggregation (including maximum scale of disaggregation of ‘input’ data, as well as the geographical scale the indicator is reported at) |

- use of **Classifications**

| other classifications (i.e. details of classification schema used [e.g. for disaggregations by occupation, industry, age, gender, establishment size, etc]) |

Assessment

| technical assessment (i.e. of the statistical robustness of the indicator at different spatial scales, for different industries, etc - noting any ‘health warnings’ [e.g. relating to sample size, sampling variability, etc]) |

| interpretation: |
| ‘general’: noting issues users should be aware of in interpreting the indicator |
| note of ‘specific’ issues relating to how accurately/appropriately the indicator/target measures the phenomenon being observed |

In practice, this template was used as far as possible to assess targets and indicators, but an emphasis on priorities (rather than indicators and targets) for some organisations, coupled with a lack of specificity about sources used for measurement of some of the targets that were specified, limited the extent to which it could be adopted. Hence, in the assessments of key sources the template was used rather less than was originally envisaged.

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2.2 Overview and Assessment of Key Sources

A. FRAMEWORK FOR REGIONAL EMPLOYMENT AND SKILLS ACTION (FRESA)

Introduction to the East Midlands FRESA

The production of FRESAs is indicative of the growing recognition that ‘skills matter’. The background to the FRESAs is described in section 1.2.1 and the ‘healthy labour market’ concept is outlined in section 1.2.2.

The emphasis of the East Midlands FRESA (Bringing Forward the Future: East Midlands Framework for Regional Employment and Skills Action [October 2002]) is on a demand-led approach to employment and skills. In the Regional Economic Strategy the FRESA is described as being characterised by a ‘push-pull’ strategy, which aims to stimulate demand for skills and drive up job quality, whilst at the same time ensuring that the skills supply matches the aspirations of employers.

Three headline challenges are identified:
1. To drive up demand for skills from regional business through improvements in business productivity – 70% of productivity gains must be met by SMEs (Small and Medium Sized Enterprises) if the region is to achieve its target.
2. Improvements in demand require parallel improvements in skills supply, and the current weaknesses in the skills profile of the region need to be addressed to keep up with this business aspiration.
3. To do these things it is necessary to raise the aspirations of the people of the region.

The FRESA identifies the need for ‘a balanced but aspirational labour market’. In a healthy labour market there are skills and job opportunities at all levels of the economy, but the emphasis is on moving the labour market up the skills and value chain and ensuring that there is an upwardly mobile progression route for those who choose to take it.

Demand at the forefront

The primacy of ‘demand’ in the East Midlands FRESA is indicated by the headline commitment to “drive up job quality through a business-led system”. However, as well as stimulating demand for higher level skills, the FRESA also aims to respond to business demand by developing a regional employer engagement strategy. Such a strategy involves:

- talking directly to employers through site visits and local employer networks
- encouraging employers to participate actively in design and delivery of skills and welfare to work programmes
- ensuring that agencies and suppliers understand what ‘employability’ means to an employer.

Key characteristics of the East Midlands labour market: evidence for a low skill low pay equilibrium

The East Midlands FRESA is informed by analyses of labour market information relating to the regional labour market. These analyses point to the following key characteristics of labour supply and demand in the region:

Statements concerning supply and demand relate to the East Midlands position relative to the UK average.
<table>
<thead>
<tr>
<th>Labour Supply</th>
<th>Labour Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>High economic activity rates</td>
<td>Relative reliance on manufacturing</td>
</tr>
<tr>
<td>Relatively low unemployment rates</td>
<td>Relatively high level of employment in unskilled occupation</td>
</tr>
<tr>
<td>Poor literacy and numeracy skills</td>
<td>Under-representation of jobs at the top of the occupational hierarchy</td>
</tr>
<tr>
<td>Low incidence of job-related education &amp; training</td>
<td>Few(er) jobs that require high level qualifications</td>
</tr>
<tr>
<td>Relatively poorly qualified labour force</td>
<td>Public sector outweighs the private sector as a knowledge economy employer</td>
</tr>
</tbody>
</table>

### Labour Market Outcomes

- Below average wage levels
- Difficulties in filling associate professional, craft and clerical posts
- An excess of jobs requiring no qualifications
- Lower than average GDP
- Over-reliance on low knowledge intensity sectors

**LOW SKILL LOW PAY EQUILIBRIUM**

### Indicators

The East Midlands FRESA published in October 2002 sets out *supply side indicators* but some *targets* remain to be specified. These indicators are:

1. GVA per hour worked
2. Gross average earnings for full-time employees
3. % population over 16 receiving income support
4. Working age activity rate
5. Activity rate for disabled persons
6. Activity rate for ethnic minorities
7. Working age employment rate
8. ILO unemployment rate
9. % 19 year olds with 5+ GCSE A-C grades, an Intermediate GNVQ or NVQ level 2
10. % workforce without qualifications
11. % workforce qualified to NVQ4+
12. % workforce receiving training in the last 13 weeks
13. % adults with basic skills needs – literacy
14. % adults with basic skills needs – numeracy

Details of sources are not provided in the FRESA, but the majority (indicators 3-12) can be derived from the Labour Force Survey at regional and sub-regional levels. Indicator 1 is derived from the Regional Accounts data (at regional and NUTS 3 area levels). The New Earnings Survey is the source for indicator 2 (available to district level). Indicators 13 and 14 can be derived from Basic Skills Agency estimates.

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5 Although it is noted that the *Regional Economic Architecture* (developed by Local Futures, using a range of Labour Force Survey, New Earnings Survey and other data sources) will be used to set baselines and used for review on a bi-annual basis.

6 Where sample sizes for the sub-population in question permit.
What is clear is that qualification is used as a proxy measure for skill – although it is recognised that qualification is an imperfect indicator. Moreover, little is revealed about the deployment of skills within the workplace.

**FRESA Action Plan**

The FRESA Action Plan is divided into 5 *priority themes* designed to achieve the desired ‘healthy labour market’ outcome:

1. **Raising Skills Levels in the Workforce** – the emphasis is on *deployment* of skills in businesses, raising individual *aspirations*, ensuring support for *sustained employment* and examining *measurements of employability*.
2. **Management and Leadership** – here there is recognition that the *product market strategies* which businesses choose are crucial to improving employer demand for skills.
3. **Employability for All** – here the emphasis is on instilling a thirst for learning and career progression in all.
4. **Skills for Enterprise and Innovation** – with a focus on priority clusters, higher level skills and knowledge transfer, and recruiting and retaining graduates in the region.
5. **Knowledge and ICT** – with an emphasis on developing new knowledge-based and increasing the knowledge-intensity of existing businesses through innovation – “in a knowledge economy job quality counts more than quantity” (p. 23).

The inputs and outputs associated with each theme are shown in the table below:

<table>
<thead>
<tr>
<th>Theme</th>
<th>Input</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Raising skills levels</strong></td>
<td>Increased employer and individual engagement</td>
<td>Increased productivity of workforce and higher wages with sustained business growth</td>
</tr>
<tr>
<td><strong>Management and Leadership</strong></td>
<td>Better management and leadership skills in all sectors</td>
<td>Increased productivity and job quality through innovating people and processes</td>
</tr>
<tr>
<td><strong>Skills for Enterprise and Innovation</strong></td>
<td>Improved enterprise support and higher graduate retention</td>
<td>Sustained growth of companies and higher level skills in SMEs</td>
</tr>
<tr>
<td><strong>Employability for All</strong></td>
<td>Improved awareness and access to quality skills provision and job opportunities</td>
<td>A motivated, employable and socially inclusive workforce</td>
</tr>
<tr>
<td><strong>Knowledge and ICT</strong></td>
<td>More people participating in the knowledge economy and improved ICT skills</td>
<td>21st century business practices with 21st century workforce in all sectors</td>
</tr>
</tbody>
</table>

*Source: East Midlands FRESA (2002), p. 24*
B. DTI REGIONAL COMPETITIVENESS AND STATE OF THE REGION INDICATORS

Introduction

The aim of the Regional Competitiveness Indicators publication produced on a six-monthly basis by the DTI was to present statistical information that illustrated the factors that contributed to regional competitiveness. They were not intended to measure the performance of Government Offices, but were designed to assist those responsible for developing regional economic strategies.

The ‘State of the Region’ Core Indicators were intended to give a balanced picture of all the statistical information relevant to regional competitiveness and the state of the regions.

Business Competitiveness Indicators (traditionally associated with the Regional Competitiveness Indicators) give statistics at sub-regional level, down to Learning and Skills Council Areas, NUTS3, or Local Authority/Unitary Authority level, depending on the availability of data.

Indicators

The 16 indicators presented in the DTI/ONS publication DTI Regional Competitiveness & State of the Regions Indicators [January 2003] are intended to give a balanced picture of all the statistical information relevant to regional competitiveness and the state of the regions. 11 indicators identified as core for RDAs.

Those Regional Competitiveness Indicators and State of the Region indicators deemed by the researchers as having some relevance to the FRESA are presented in the following assessment sheets.

Indicators deemed by the IER team as of relevance to the FRESA but which are not now included in the combined set (either because they were not recommended by for inclusion after a review conducted in 2000 by SQW), or were not already part of the Regional Competitiveness Indicators) are:

- Percentage of employers with current hard-to-fill vacancies
- Percentage of employees undertaking work-related training in the last 13 weeks
- Percentage of medium/large organisations recognised as Investors in People

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Gross Value Added and Household Disposable Income per Head</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1) GVA per head (expressed in current prices in £s per head and in £s per head indexed to the UK average)</td>
</tr>
<tr>
<td></td>
<td>2) GVA per hour worked (GVA relative to the number of hours worked in the region)</td>
</tr>
<tr>
<td></td>
<td>3) Gross Disposable Household Income per head</td>
</tr>
<tr>
<td>Contextual – Regional Overview</td>
<td></td>
</tr>
<tr>
<td>Organisational ‘origin’</td>
<td>contextual indicator from DTI</td>
</tr>
<tr>
<td>Data Capture</td>
<td>not associated with a funding stream</td>
</tr>
<tr>
<td></td>
<td>1) &amp; 2): synthesis of economic and labour market survey data</td>
</tr>
<tr>
<td></td>
<td>3): a range of survey and administrative sources – including incomes and benefits</td>
</tr>
<tr>
<td></td>
<td>1) &amp; 2): Regional Accounts</td>
</tr>
<tr>
<td></td>
<td>3): synthesis of sources</td>
</tr>
</tbody>
</table>

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7 In January and July.
8 This was the most up-to-date available issue at the time of the review.
9 [http://www.dti.gov.uk/sd/rci](http://www.dti.gov.uk/sd/rci)
- **Time dimension**
  - Latest year for data in RCIs is 1999. At the time of writing ONS plans to publish revised regional GVA data for 1989-1999 in mid August 2003, and data for 2000-2001 in late August 2003.\(^\text{10}\)
  - Latest available GVA estimates in the Business Competitiveness Indicators relate to 1998
  - GVA estimates below regional level are usually published in July/August each year. However, in July 2003 it was reported that NUTS 2 and NUTS 3 level estimates would be published by late October 2003.
  - Estimates are subject to revision (as indicated above)

- **Spatial dimension**
  - NUTS 3 level

- **Use of Classifications**
  - In future it is intended to disaggregate to individual industry sections at regional level

**Assessment**

- **Technical assessment:** Estimates are based on a number of different data sources and are subject to revision

**Interpretation:**

- ‘general’: indicators are rather dated
- ‘specific’:
  - For indicator (1) GVA within a region is workplace-based, while the population estimate (used in per head calculations) is residence based. Commuting may distort interpretation: inflating the figures in areas of in-commuting; (i.e. at sub-national level it is not possible to say where income generated in an area flows to);
  - Indicator (2) is not subject to this distortion because it is entirely calculated on a workplace-base
  - GVA is provided at current prices, and estimates are not adjusted to take account of inflation in prices of goods and services over time
  - At sub-regional level it is useful to look at the household sector income estimates produced by ONS when investigating the income received by residents of an area

### Indicator

<table>
<thead>
<tr>
<th><strong>Labour Productivity in Manufacturing and Other Industries</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Used as an indicator of competitiveness within (1) manufacturing and (2) other sectors (including services, fuel extraction, electricity and gas supply, but not agriculture, forestry and fishing)</td>
</tr>
</tbody>
</table>

**Contextual – Regional Overview**

- Organisational ‘origin’: contextual indicator from DTI
- Not associated with a funding stream

**Data Capture**

- GVA is calculated by synthesising economic and labour market survey data
- The denominator used in the calculations is a count of employee jobs from the Annual Business Inquiry (ABI)

**Regional Accounts**

- **Time dimension**
  - Latest year for data in RCIs is 1998

- **Spatial dimension**
  - Region

- **Use of Classifications**
  - 2 fold industrial classification: (1) manufacturing (2) other industries

---

\(^\text{10}\) See ONS statement on 18 July 2003 on *Regional GVA Estimates*.  
---

9
### Technical Assessment

GVA estimates are based on a number of different data sources and are subject to revision. Concerns have been raised about the quality of ABI estimates at sub-regional level.

### Interpretation

- **General**: indicators are rather dated. It is important to consider the value of these indicators in the context of the mix of industries between regions: some industries are highly labour intensive and so may have relatively low productivity figures when compared with the more capital-intensive industries.
- **Specific**: GVA estimates are residence-based. Employee estimates used in the denominator are workplace-based. Using residence-based GVA and workplace-based employee jobs means that estimates for regions with high levels of in-commuting may be deflated, while in areas of out-commuting the figure could be overstated slightly.

---

### Indicator

#### Investment and Output by UK and Foreign Owned Companies

An indicator of the importance of both domestic and foreign investment to the industrial base of each region.

**Contextual – Regional Overview**

- **Organisational ‘origin’**: DTI
- **Contextual indicator from DTI**: not associated with a funding stream

**Data Capture**

- **GVA**: Calculated by synthesising economic and labour market survey data.
- **Net Capital Expenditure**: Used as a proxy for investment and is calculated by adding the value of new building work acquisitions less disposals of land and existing buildings, vehicles and plant and machinery.

**Regional Accounts**

- **Time dimension**: Latest year for data in RCIs is 1997.
- **Spatial dimension**: Region
- **Use of Classifications**: Indicator for Manufacturing only, but expected to cover services in future.

### Technical Assessment

GVA estimates are based on a number of different data sources and are subject to revision. Concerns have been raised about the quality of ABI estimates at sub-regional level.

### Interpretation

- **General**: indicators are rather dated. This indicator is a proxy for investment.

<table>
<thead>
<tr>
<th>Indicator</th>
<th><strong>Exports of Goods</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Used as an indicator of the value of exports (not including the value of exports of services)</td>
</tr>
<tr>
<td></td>
<td>1) Value of exports of goods from each region on a quarterly basis</td>
</tr>
<tr>
<td></td>
<td>2) Estimate of the number of companies in each region exporting to the EU and outside the EU</td>
</tr>
<tr>
<td></td>
<td>3) Value of exports per employee jobs on a quarterly basis</td>
</tr>
<tr>
<td></td>
<td>4) Distribution of regional exports to the main world regions</td>
</tr>
</tbody>
</table>

**Contextual – Regional Overview**

**Organisational ‘origin’**
contextual indicator from DTI
not associated with a funding stream

**Data Capture**
Export data is taken from Customs and Excise. Company details for businesses’ export transactions with non-EU countries are mandatory and are recorded automatically. Supplementary declarations for countries exporting to the EU are recorded through the Intrastat system which only picks up values of exports above a specified size threshold. Export trade is assigned to a region through the postcode associated with a company’s VAT registration. Some adjustments are made to ensure that exports are allocated to the location where the branch undertaking manufacturing is located.

The denominator used in the calculations is drawn from the workplace-based Short-Term Employment Survey (STES) produced by ONS.

HM Customs and Excise

- **the Time dimension**
  Latest year for data is 2002; (earliest data in RCIs relates to 2000)

- **the Spatial dimension**
  Region

- **use of Classifications**
  Indicator relates to goods (i.e. manufacturing) only

**Assessment**

**technical assessment:**
Due to the different recording regulations, exports to the EU tend to artificially low relative to those to the Rest of the World

**interpretation:**
- ‘general’:
  indicators of exports to EU countries and the Rest of the World are not fully comparable
- ‘specific’:
  production of some goods can take place across several different regions, and value added of an export may have been generated in a region other than that from which it is exported

<table>
<thead>
<tr>
<th>Indicator</th>
<th><strong>Average Earnings</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross average hourly earnings (including overtime) for full-time employees</td>
</tr>
<tr>
<td></td>
<td>(Weekly earnings data are also available via the BCIs)</td>
</tr>
</tbody>
</table>

**Contextual – The Labour Market**

**Organisational ‘origin’**
contextual indicator from DTI
not associated with a funding stream

---

11 RCI terminology.
### Data Capture

NES data are collected in April every year from a sample survey of PAYE records (i.e. coded to geographical location of workplace, by postcode)

**New Earnings Survey**

- **Time dimension**
  - Latest year for data is 2002
  - Data are updated annually
  - On occasion, the data are subject to revision

- **Spatial dimension**
  - Region (in RCI)
  - LSC area and Local Authority Districts (in BCI)

- **Use of Classifications**
  - At regional level, disaggregated for ‘total’, ‘manufacturing’ and ‘services’ and by sex

### Assessment

*Technical assessment:*

At sub-national level the number of cases can vary markedly, as can the sampling error – hence accuracy can vary, and particular care should be exercised when examining change over time.

*Interpretation:*

- **‘general’**: interpretation of earnings data is complex, and ideally requires a knowledge of the regional/local economy; high earnings can be indicative of prosperity, and that an area’s economy is growing; alternatively they could be a result of skill shortages or high living costs, both of which could undermine the competitiveness or the attractiveness of an area to outside investors.

- **‘specific’**: due to sampling variation and sampling error inter-area estimates, and especially estimates over time, need to be interpreted with caution. Part-time employees are not included.

The estimates are collected in April – seasonal fluctuations are not picked up.

### Indicator

**Employment and Employee Jobs**

1) Number of people of working age in employment
2) % of working age people in employment
3) Regional share and total number of employee jobs

(BCIs provide two sets of residential employment data and an employee jobs series [from the ABI])

(Contextual – The Labour Market)

**Organisational ‘origin’**

Contextual indicator from DTI

Not associated with a funding stream

**Data Capture**

- Household survey (LFS) – RCI, BCI
- Short-Term Employment Survey (STES) - RCI
- Employer survey (ABI) - BCI

**Labour Force Survey** (employment by residence)

Annual Business Inquiry (employee jobs by workplace)

- **Time dimension**
  - Latest year for data is 2002; (2001 for ABI)
  - STES data are updated quarterly
  - ABI data are updated annually – data relating to April are generally published in the following December
  - LFS data are available on a quarterly and an annual basis; (both are used in BCIs). Quarterly results are normally published four months after the end of the quarter to which they refer; the annual
LFS data are subject to adjustment to make them consistent with Census data. The LFS data are further subject to adjustment to ensure consistency with Census data.

### Spatial Dimension
- **Region (in RCI)**
- **LSC area and Local Authority Districts (in BCI)**
- **ABI data can be disaggregated to lower level ward/postcode geographies**

### Use of Classifications
- **No classifications used, except age dimension in LFS to identify people of working age**
- **LFS data could also be disaggregated by industry and occupation**
- **ABI data could be disaggregated by sex and industry**

### Assessment

**technical assessment:**
- Sampling variation and error is an important issue for LFS data at sub-regional level.

**interpretation:**
- **‘general’:**
  - LFS data record all in employment (i.e. self-employed are included), whereas STES and ABI are restricted to employee jobs
  - Both LFS and ABI data are sample-based surveys and so subject to sampling error
- **‘specific’:**
  - ABI data relate to jobs (i.e. people with more than one job are reported twice); whereas the LFS data relate to individuals due to sampling variation and sampling error inter-area.

### Indicator: Unemployment

**Unemployment rate** – the International Labour Organisation (ILO) definition is used, which includes as unemployed all those who are out of work, want a job, have actively sought work in the last four weeks prior to interview and are able to start work within the next fortnight; or who are out of work and have accepted a job they are waiting to start in the next fortnight. The unemployment rate is calculated as the number of people resident in an area who are classified as unemployed, divided by the number of economically active people resident in that area.

**Organisational ‘origin’**
- **DTI**
- Contextual indicator from DTI
- Not associated with a funding stream

**Data Capture**
- **Household survey (LFS) – regional level**
- LFS, claimant count and a range of other economic and demographic variables for modelled estimates at sub-regional level.

**Labour Force Survey (employment by residence)**

**Time dimension**
- Latest year for data is 2002
- LFS data are subject to adjustment to make them consistent with Census data
- Modelled unemployment rates for UALADs have been produced on an annual basis for 1995/96 to 1999/2000

**Spatial dimension**
- **Region (in RCI)**
- Unitary and Local Authority Districts (BCI – model-based estimates). (Note that these model-based estimates produced...
from ONS have not been calculated for LSC areas or for regions.)

- use of Classifications
  No classifications used in this instance (although the LFS does permit disaggregations by age, gender, etc)

Assessment
  technical assessment:
  sampling variation and error is an important issue for LFS data at sub-regional level.

  interpretation:
  - ‘general’:
    unemployment rates are residence-based
  - ‘specific’:
    as yet, little independent assessment has been made of model-based estimates

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Claimant Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) claimant count (RCI and BCI)</td>
<td></td>
</tr>
<tr>
<td>2) claimant count as a proportion of workforce jobs (i.e. employee jobs, agricultural jobs, HM armed forces, self-employed and persons of government-supported training schemes) plus claimants in the region (RCI)</td>
<td></td>
</tr>
<tr>
<td>3) proportion of all claimants in receipt of Job Seeker’s Allowance for a year or longer (RCI)</td>
<td></td>
</tr>
</tbody>
</table>

Following a recent review of labour market statistics the denominator for calculating claimant count rates at a sub-regional level will move from being workplace-based (i.e. expressed as a proportion of the number of workforce jobs plus claimants in that area) to being residence-based (i.e. the number of people living in that area). Such population estimates are currently being adjusted to take account of the 2001 Census results.

Contextual – The Labour Market

Organisational ‘origin’
  DTI
  contextual indicator from DTI
  not associated with a funding stream

Data Capture
  Administrative records
  Jobseeker’s Allowance (JSA) claimants (who are out of work, available for, capable of and actively seeking employment)

- the Time dimension
  Data are updated monthly, and are published with an elapsed time of one month

- the Spatial dimension
  Region (in RCI)
  Data are postcoded, and hence may be aggregated to a full range of spatial units

- use of Classifications
  Duration only used in RCI.
  It is possible to disaggregate JSA data by duration, age and sex.

Assessment
  technical assessment:
  claimant count is based on eligibility for the benefit in question (JSA)

  interpretation:
  - ‘general’:
    claimant counts are residence-based
  - ‘specific’:
    the scope of the claimant count is different from that of ILO unemployment
<table>
<thead>
<tr>
<th>Indicator</th>
<th>Educational and Vocational Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>These RCI indicators relate directly to three of the National Learning Targets for England (first three listed):</td>
</tr>
<tr>
<td></td>
<td>1) proportion 19 year olds attaining 5 or more GCSEs at Grade C or above, or an NVQ level 2 or equivalent</td>
</tr>
<tr>
<td></td>
<td>2) proportion of economically active adults qualified to at least NVQ level 3 or equivalent</td>
</tr>
<tr>
<td></td>
<td>3) proportion of economically active adults qualified to at least NVQ level 4 or equivalent</td>
</tr>
<tr>
<td></td>
<td>4) proportion of economically inactive persons with no qualifications</td>
</tr>
<tr>
<td>BCI indicators measure the percentage of the working age population (16 to 64/59) with qualifications to:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1) National Vocational Qualification (NVQ) level 1 or 2/equivalent</td>
</tr>
<tr>
<td></td>
<td>2) NVQ level 3 or 4 or a trade apprenticeship</td>
</tr>
<tr>
<td></td>
<td>3) no formal qualifications</td>
</tr>
</tbody>
</table>

Contextual – The Labour Market

Organisational ‘origin’ contextual indicator from DTI

not associated with a funding stream (in this context)

Data Capture

Household survey (LFS) – RCI, BCI

DfES analysis of the Local Area Labour Force Survey (LALFS) - at sub-regional level

For 2000/2001 onwards the LALFS survey sample was boosted for local education authorities outside London so that each would reach in each year a minimum sample size of around 40,000 economically active adults from 2000 onwards

- the **Time** dimension

  Latest year for RCI is 2002; (there is a greater time lag at sub-regional level)

  LFS data are subject to adjustment to make them consistent with Census data

- the **Spatial** dimension

  Region (in RCI)

  LSC and UALAD (in BCI)

- use of **Classifications**

  More detailed qualification classifications are available in LFS.

  A range of other demographic and socio-economic disaggregations is available in the LFS but are not used here.

Assessment

**technical assessment:**

  sampling variation and error is an important issue for LFS data at sub-regional level

**interpretation:**

  ‘general’:

  LFS data are sample-based surveys and so subject to sampling error – an the extent of this varies between areas (according to sample size); caution should be exercise in temporal analyses

  ‘specific’:

  statistics on the qualification structure of an area does not necessarily say anything about the skills profile of jobs in that area

---
<table>
<thead>
<tr>
<th>Indicator</th>
<th><strong>Income Support Claimants</strong></th>
</tr>
</thead>
</table>
|                           | Provide a breakdown of the proportion of adults claiming each *type* of income support benefit; (they are intended to supplement information on Income Deprivation). (Income support can be paid to a person who is aged 16 or over, is not working 16 hours or more a week and whose income is lower than what is considered necessary to live on.) Type of Income Support claims identified are:  
|                           | • pensioner  
|                           | • disabled  
|                           | • lone parent  
|                           | • other |
| Contextual – Deprivation  |                                                                                                                                                    |
| Organisational ‘origin’   | contextual indicator from DTI                                                                                                                                 |
| Data Capture              | Administrative data  
|                           | Population estimates (via ONS)                                                                                                                             |
|                           | DWP  
|                           | Population Estimates Unit (ONS)                                                                                                                             |
| - the *Time* dimension     | Quarterly data from February 1998 to August 2002.                                                                                                          |
| - the *Spatial* dimension  | Region (in RCI)  
|                           | Although not published here, benefits data are postcoded, and so could be compiled (via DWP) for other sub-regional spatial units |
| - use of *Classifications*| Types of claim are identified  
|                           | Age cut-off is used to identify those over 16 years in population estimates                                                                                   |
| Assessment                | *technical assessment*  
|                           | no comments                                                                                                                                                |
|                           | *interpretation*  
|                           | • ‘general’  
|                           | only actual claimants are recorded; (those who would be eligible, but who do not claim, are excluded)                                                        |

<table>
<thead>
<tr>
<th>Indicator</th>
<th><strong>Income Deprivation</strong></th>
</tr>
</thead>
</table>
|                           | The number of people within families that are dependant on means-tested Income Support (IS) benefits – presented for:  
|                           | • region as a whole  
|                           | • most deprived 20% of region  
|                           | (Both RCI and BCI)                                                                                                                                         |
| Contextual – Deprivation  |                                                                                                                                                    |
| Organisational ‘origin’   | contextual indicator from DTI                                                                                                                          |
| Data Capture              | Synthesis of administrative data  
|                           | Population estimates (via Oxford University, Neighbourhood Statistics)                                                                                     |
|                           | DWP  
|                           | Population Estimates Unit (ONS)                                                                                                                            |
| - the *Time* dimension     | Indices of Deprivation (2000)  
|                           | Indices of being updated in Autumn 2003  
|                           | Population data relate to 1998                                                                                                                             |
- the **Spatial dimension**
  - Region (in RCI)
  - UALADs and LSC areas (in BCI)
  - Data are available for electoral wards in 1998

- use of **Classifications**
  - The Income domain is one domain of the Indices of Deprivation

**Assessment**

**technical assessment:**

**interpretation:**

- ‘general’:
  - when indices are updated (periodically) new indicators may be added
- ‘specific’:
  - the estimates deal with the **percentage** of people in families that are dependent on IS benefits and not the **value** of the IS benefits being claimed. The value of claims may be higher in more deprived than in less deprived wards

<table>
<thead>
<tr>
<th>Indicator</th>
<th><strong>Business Registration and Survival Rates</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>This measure reflects entrepreneurial activity in the formation rate of new firms and their ability to survive the first three years of trading. The indicators are:</td>
</tr>
<tr>
<td></td>
<td>1) VAT registrations as a proportion of the total number of VAT-registered businesses at the start of the year (RCI, BCI)</td>
</tr>
<tr>
<td></td>
<td>2) VAT registrations expressed per 10,000 adult population resident in each region (RCI)</td>
</tr>
<tr>
<td></td>
<td>3) Business survival – the proportion of businesses remaining registered for VAT 3 years after their initial registration (RCI, BCI)</td>
</tr>
<tr>
<td><strong>Contextual – Business Development</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Organisational ’origin’</strong></td>
<td>contextual indicator from DTI</td>
</tr>
<tr>
<td><strong>Data Capture</strong></td>
<td>Administrative data on VAT registration</td>
</tr>
<tr>
<td></td>
<td>Data produced by the Small Business Service (SBS) Statistics Unit, based on data collected from the Inter-Departmental Business Register (IDBR)</td>
</tr>
<tr>
<td><strong>- the Time dimension</strong></td>
<td>Annual updates</td>
</tr>
<tr>
<td></td>
<td>2001 latest year for regional information</td>
</tr>
<tr>
<td></td>
<td>2000 latest year for sub-regional information</td>
</tr>
<tr>
<td><strong>- the Spatial dimension</strong></td>
<td>Region (in RCI)</td>
</tr>
<tr>
<td></td>
<td>UALADs (in BCI)</td>
</tr>
<tr>
<td></td>
<td>Enterprises in the IDBR are postcoded</td>
</tr>
<tr>
<td><strong>- use of Classifications</strong></td>
<td>IDBR also codes information on industry, turnover and employment</td>
</tr>
<tr>
<td><strong>Assessment</strong></td>
<td><strong>technical assessment:</strong></td>
</tr>
<tr>
<td></td>
<td>no comments on construction of indicators</td>
</tr>
<tr>
<td><strong>Interpretation:</strong></td>
<td></td>
</tr>
</tbody>
</table>
| | ‘general’:
| | VAT registrations are not synonymous with business start-ups; some registrations are the result of changes in ownership or legal status of a business. (In Great Britain the total number of business start-ups is estimated to be about twice the number of registrations for VAT) |
| | ‘specific’:
| | firms can be removed from the business register for a variety of reasons (e.g. falling turnover, merging, etc) as well as |
However, registrations and de-registrations are a strong correlate of underlying trends in business ‘birth’ and ‘death’ rates.
- Businesses with turnover below the VAT threshold do not need to register
- ‘specific’:
  - high share of registrations per 10,000 adults in some regions may reflect high concentrations of business in some regions where there is in-commuting
  - data refer to the head office or main centre of business activity
- industry mix and size profile can influence rates at local level

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Research and Development and Employment in High and Medium High Technology Industries</th>
</tr>
</thead>
</table>
|           | Indicates the value of Research & Development (R&D) activity carried out by manufacturing and service sector firms and the number of employee jobs in high technology industries. Expenditure on R&D measures the extent to which businesses are developing and exploiting new technology, software and ideas. R&D activity can be a stimulant to the competitiveness of firms within a region. Indicators are:  
1) Total business enterprise R&D as a percentage of total GVA  
2) Employee jobs in the high and medium high tech manufacturing sectors (based on a definition specified by the OECD in 1997 – encompassing pharmaceuticals, office machinery and computers, aerospace, electronic communications, scientific instruments, motor vehicles, electrical machinery, chemicals, other transport equipment, non-electrical machinery) |

Contextual – Business Development

Organisational ‘origin’ contextual indicator from DTI
- not associated with a funding stream

Data Capture
- Business surveys

1) Business Enterprise Research and Development (BERD) – sample of around 4,000 businesses across the UK that are identified as performing R&D activity by the ABI. All ‘large’ R&D performers are included, plus a sample of smaller businesses deemed ‘smaller’ R&D performers. Government organisations, higher education establishments and registered charities are not included in the survey sample

2) ABI

- the Time dimension
  - Latest date for total business enterprise R&D as a percentage of total GVA is 1999
  - Annual updates of employee data – latest data 2001

- the Spatial dimension
  - Region (in RCI) – BERD data are not disaggregated to sub-regional level
  - ABI data can be disaggregated to sub-regional level

- use of Classifications
  - BERD and ABI also enable a sectoral disaggregation

Assessment
- technical assessment:
  - no comments on construction of indicators
<table>
<thead>
<tr>
<th>Interpretation:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>‘general’:</td>
<td>BERD does not encompass all R&amp;D activity – government organisations and higher education establishments are excluded</td>
</tr>
<tr>
<td></td>
<td>the ‘high tech’ profile of sectors varies across regions</td>
</tr>
<tr>
<td></td>
<td>some ‘high tech’ jobs may be included in sectors outside the definition used</td>
</tr>
<tr>
<td>‘specific’:</td>
<td>no comment some regions where there is in-commuting</td>
</tr>
</tbody>
</table>
C. EAST MIDLANDS DEVELOPMENT AGENCY (emda)

RDAs and targets

The targetry framework for RDAs has three tiers:

**Tier 1**: Encapsulating the *strategic objectives* of RDAs:
1) Economic development
2) Regeneration
3) Employment and skills
4) Enterprise, innovation, productivity and competitiveness

**Tier 2**: These are *outcome* indicators/targets flowing from the Tier 1 objectives. They reflect Public Service Agreement (PSA) targets (see material in section E on the Government Office for the East Midlands). RDAs are accountable for the delivery of these targets at regional level, although a range of regional and sub-regional partners delivers them. There are 11 such indicators/targets relating to:
1) Economic performance (GVA per capita)
2) Regeneration – working with Local Strategic Partners and other stakeholders to achieve neighbourhood renewal and promote economic development and investment in the most deprived areas
3) Urban renaissance – contributing to renaissance of towns and cities, with an emphasis on the quality of design, and ensuring co-ordination with transport plans, regional planning strategies, local development plans, etc
4) Rural renaissance – reducing the gap in productivity between the least well performing quartile of rural areas and the English median by 2006, and improving the accessibility of services for rural people
5) Physical development – concerned with housing availability and demand
6) Employment – increasing the employment rate
7) Skills – improving the qualifications of the workforce in order to meet priorities outlined in the FRESA and to help meet national learning targets
8) Productivity – increasing productivity measured by GVA per hour worked
9) Enterprise – building an enterprise society in which small firms thrive, including increasing the number of people going into business, and increasing enterprise in disadvantaged communities
10) Inward Investment
11) Innovation – enhancing and increasing exploitation of the science and engineering base

To the 11 national indicators/targets emda has added two further indicators/targets:
12) ICT
13) Tourism

**Tier 3**: These are *output* indicators/targets associated with RDA programmes, which represent the RDA contribution to Tier 2 targets. There are 5 such output indicators/targets:
1) Employment opportunities – number of new jobs created, number of jobs safeguarded; (with each job having a life expectancy of more than one year when counted; and expressed in full-time equivalent [where full-time is measured as 30 or more hours, and two part-time jobs equal one full-time job])
2) Hectares of brownfield land remediated or recycled
3) Number of learning opportunities created or filled – a ‘learning opportunity’ is defined as a place created on a training or educational course or other learning and skills development activity (funded by the RDA) which is filled by an individual who undertakes a total of 40 hours or more of learning activities
4) Business performance – creation and attraction of new businesses (to be counted, businesses have to survive for 12 months)
5) *Investment benefiting deprived areas* – leverage through RDA funding and activity of private sector investment benefiting residents of deprived wards

In addition to the above core output indicators there are a number of supplementary indicators:

- S1 Number of community facilities including access centres
- S2 Number of science and technology based spin out companies
- S3 Number of new cluster maps; and Number of businesses engaged in cluster activity
- S4 Number of businesses increasing their use of ICT
- S5 Number of enterprises assisted by regional investment funds
- S6 Number of new social enterprises
- S7 Number of graduates newly employed in small businesses
- S8 Number of people over 45 receiving information and advice to support their employability in the labour market
- S9 Number of foreign-owned businesses influenced to expand in the region as a result of aftercare visits; and Number of aftercare visits
- S10 New build or refurbished space – employment; and new build or refurbished space – housing

**emda targets set out in the Revised Regional Economic Strategy**¹²

The fundamental aim of the Regional Economic Strategy (RES) and all associated economic strategies and plans is to increase regional incomes and productivity.

The Regional Targets are set out in Appendix 3 of the publication. The Targets are grouped under the following inter-linked strands¹³ – with a number of targets per strand. The 13 strands identified may be cross-referenced to the *Tier 2 outcome indicators* outlined above – although the names used in the RES sometimes differ from those referred to above.

The strands containing indicators deemed of relevance to the FRESA are shown in emboldened and italicised form below, with the number in parentheses providing a cross-reference to the list referred to above.:

- **Increasing wealth and productivity** [1, 8, 9]
- **Enterprise** [9]
- **Enterprising communities** [2]
- **Employment, learning and skills** [6, 7]
- **Innovation** [11]
- **International trade and inward investment** [10]
- Economic growth and the environment [5]
- Site provision and the environment [5]
- Transport
- ICT [12]
- Tourism [13]
- **Rural development** [4]
- **Urban regeneration** [3]

The emboldened indicators identified above are included in the following assessment sheets.

There are also a number of ‘Top 20’ European Region targets not included in the Regional Targets:

---


¹³ There is emphasis throughout the strategy on the cross-cutting and mutually supporting nature of the strands.
- **Unemployment rate (ILO)**
- **Disparity Index** – defined as the Ratio of GVA per head at district level within a region. A high ratio indicates a high level of disparity in wealth production between districts within a region.
- Composite resource indicator

**Increasing wealth and productivity context:**

Virtually everything in the strategy is designed to lead towards an improvement in income levels for individuals in the region.

There is mounting evidence of a low-productivity, low-pay, low-skill equilibrium in the East Midlands that it accompanied by a buoyant labour market which means that there is little incentive on the part of businesses or individuals to try to improve their technology or skills.

<table>
<thead>
<tr>
<th>Indicator / Targets</th>
<th>Increasing wealth and productivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1)</td>
<td>Trend rate in growth of GDP per head for the East Midlands to be maintained at 2.3% by 2005 and 2010</td>
</tr>
<tr>
<td>2)</td>
<td>Trend rate of growth in GVA per capita of 2.0 % by 2005 and 2.5% by 2010</td>
</tr>
<tr>
<td>3)</td>
<td>Regional annual growth in GVA per hour worked to be increased by an average of 0.7% (precise target subject to revision) by 2010</td>
</tr>
<tr>
<td>4)</td>
<td>Increase the proportion of individuals considering starting their own business to 12% by 2005 and by 15% to 2010</td>
</tr>
</tbody>
</table>

**Outcome**
- Organisational ‘origin’ EMDA
- National requirement

**Data Capture**
- 1) - 3): synthesis of economic and labour market survey data
- 4): household survey

| Time dimension   | Latest year for GDP and GVA data is 1999
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Spatial dimension</td>
<td>Latest data on considering starting their own businesses is 2001</td>
</tr>
</tbody>
</table>
| Classifications  | 1-4): NUTS 3 level
|                  | 5): presumably to UALAD level |

**Assessment**
- **technical assessment**: estimates are based on a number of different data sources and are subject to revision

**Interpretation:**
- ‘general’: indicators are rather dated
  - ‘proportion of individuals’ starting their own businesses may be regarded as an indicator of potential entrepreneurship, but it need not necessarily be associated with higher employment and skills levels
- ‘specific’:
  - see comments on RCI indicators
**Enterprise context:**

The emphasis is on:
- stimulating an enterprise culture at all levels in society
- increasing the number of new businesses that start up in the region and survive
- upgrading the manufacturing base by improving the operations to increase productivity
- encouraging the growth of more profitable sectors
- ensuring the business support that is required to underpin this change is available
- to provide better access to finance for growing businesses.

**Key activities** include:
- Stimulating an enterprise culture
- Improving the performance of manufacturing
- Implementing cluster development plans
- Deliver effective business support to all business communities
- Exploit the business opportunities offered through the public sector
- Improve access to finance for business

<table>
<thead>
<tr>
<th>Indicators / Targets</th>
<th>Enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Increase the VAT registration rate to within 5 percentage points (32 registrations per 10,000 population) of the GB average by 2005</td>
<td></td>
</tr>
<tr>
<td>2) Reduce the gap in VAT registration rates between the most deprived and the least deprived wards by 1% per annum</td>
<td></td>
</tr>
<tr>
<td>3) Increase the proportion of businesses surviving their first year to 92% by 2005</td>
<td></td>
</tr>
</tbody>
</table>

**Outcome**

**Organisational ‘origin’**
EMDA

**National requirement**

**Data Capture**
Administrative data on VAT registration

- Data produced by the Small Business Service (SBS) Statistics Unit, based on data collected from the Inter-Departmental Business Register (IDBR)
- **- the Time dimension**
  - Annual updates
  - 2001 latest year for regional information
  - 2000 latest year for sub-regional information
- **- the Spatial dimension**
  - Registrations are postcoded, and so statistics can be generated by SBS for a range of spatial units
- **- use of Classifications**
  - Information is available by sector, but is not recorded here

**Assessment**
**technical assessment:** no comments on construction of indicators

**Interpretation:**
- ‘general’:
  - no single measure of ‘enterprise’ exists
  - VAT registrations are not synonymous with business start-ups; some registrations are the result of changes in ownership or legal status of a business. (In Great Britain the total number of business start-ups is estimated to be about twice the number of registrations for VAT)
  - firms can be removed from the business register for a variety of reasons (e.g. falling turnover, merging, etc) as well as closure
  - However, registrations and de-registrations are a strong correlate of underlying trends in business ‘birth’ and ‘death’
rates
- Businesses with turnover below the VAT threshold do not need to register
- ‘specific’: high share of registrations per 10,000 adults in some regions may reflect high concentrations of business in some regions where there is in-commuting
- data refer to the head office or main centre of business activity
- registration in a ‘most’ / ‘least’ deprived ward may reflect the business infrastructure conditions in a particular ward, and may not be analogous with provisions of employment opportunities for local people
- industry mix and size profile can influence rates at local level

**Enterprising communities context:**

The focus here is on economic issues of social exclusion – including the lack of opportunities for disadvantaged individuals and communities to engage in the economic agenda – related to skills and joblessness, and the associated issues of childcare provision, poor business infrastructure and lack of public services.

The context for economic inclusion is the UK Government policy set out in the National Strategy for Neighbourhood Renewal, supported by the broader drive to deliver stable growth in the economy by improving productivity, achieving full employment and reducing poverty.

There are 3 New Deal for Communities areas in the region – where deprivation is being tackled in specific neighbourhoods.

Neighbourhood Renewal Areas have been established in the 88 most deprived local authority districts in England, and there are 7 such areas in the East Midlands; (see information relating to Local Strategic Partnerships for further information).

Local Strategic Partnerships (LSPs) have been established as the principal bodies to focus public services on those areas that the local community feels need specific attention.

**Key activities** include:
- Support Neighbourhood Renewal investment in the East Midlands to tackle social and economic problems
- Increase the level of economic activity within disadvantaged communities
- Encourage micro and social enterprises to start up and survive

<table>
<thead>
<tr>
<th>Indicators / Targets</th>
<th><strong>Enterprising communities</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1) Reduce the regional deprivation gap between the bottom 20% of wards and the top 20% of wards in the region on the Index of Multiple Deprivation from a multiple of 6.5 to 4 by 2010</td>
</tr>
<tr>
<td></td>
<td>2) Reduce the number of wards in the East Midlands that are in the lowest quartile of the employment deprivation index to 120 by 2010</td>
</tr>
<tr>
<td></td>
<td>3) Reduce the proportion of households with income support claimants to 7% by 2005 and to 5% by 2010</td>
</tr>
<tr>
<td></td>
<td>Outcome</td>
</tr>
<tr>
<td></td>
<td>Organisational ‘origin’</td>
</tr>
<tr>
<td>National requirement</td>
<td></td>
</tr>
<tr>
<td>----------------------</td>
<td></td>
</tr>
<tr>
<td>Data Capture</td>
<td></td>
</tr>
<tr>
<td>1) &amp; 2): Synthesis of administrative data</td>
<td></td>
</tr>
<tr>
<td>3): administrative data</td>
<td></td>
</tr>
<tr>
<td>- the Time dimension</td>
<td></td>
</tr>
<tr>
<td>3): DWP</td>
<td></td>
</tr>
<tr>
<td>- the Spatial dimension</td>
<td></td>
</tr>
<tr>
<td>1) &amp; 2): wards (data in the Index of Multiple Deprivation relates to 1998 wards, but benefit data is available for 1991 wards)</td>
<td></td>
</tr>
<tr>
<td>3): target relates to regional level data, but data are postcoded and can be aggregated to other spatial units</td>
<td></td>
</tr>
<tr>
<td>- use of Classifications</td>
<td></td>
</tr>
<tr>
<td>The Employment deprivation domain is one domain of the Indices of Deprivation</td>
<td></td>
</tr>
<tr>
<td>Assessment</td>
<td></td>
</tr>
<tr>
<td>technical assessment:</td>
<td></td>
</tr>
<tr>
<td>no comments</td>
<td></td>
</tr>
</tbody>
</table>

**Employment, learning and skills context:**

The overall objectives are to create high quality employment opportunities and to drive up skills levels. This means addressing the foundations through tackling the issues of pre-16 educational attainment, and the skill requirements of those aspiring to enter the workforce from basic through to higher level skills and management development.

**Key activities:**
- Increase levels of educational attainment at pre-16
- Increase use of ICT as a tool for learning and to increase ICT skills
- Increase graduate employment in SMEs
- Increase demand from business for improved skills – by developing and implementing an Employer Engagement strategy and a co-ordinated regional campaign for Investors in People
- Increase demand from individuals for improved skills
- Support the development of learning progression routes
- Promote enterprising skills
- Develop comprehensive approaches to employment, learning and skills issues at the community level – through LSP initiatives that address housing, transport, crime and childcare issues as well as learning and skills provision
- Improve the information and guidance available for all ages
- Develop initiatives to increase the recording of non-qualification based skills in the workplace
- Meet skills needs for start-up and micro businesses of all types
- Ensure access to labour market information for intermediaries, employers and individuals
- Increase management skills among established SMEs
- Raise the profile of self-employment as a real career option
- Target geographical pockets of high unemployment, and priority groups including lone parents, minority ethnic communities, ex-offenders and individuals with disabilities
- Target the skill needs of priority clusters and sectors where low/no qualifications is the norm or there are identified skill gaps

<table>
<thead>
<tr>
<th>Indicators / Targets</th>
<th>Employment, learning and skills</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Employment</strong></td>
</tr>
<tr>
<td></td>
<td>(1): increase the regional employment rate to 76.7% by 2005 and to 80% by 2010</td>
</tr>
<tr>
<td></td>
<td>(2): increase employment in knowledge-intensive industries to 40% by 2005 and to 45% by 2010</td>
</tr>
<tr>
<td></td>
<td><strong>Skills</strong></td>
</tr>
<tr>
<td></td>
<td>(3): increase the proportion of 19 year olds with NVQ level 2 or equivalent to 85% by 2005 and to 90% by 2010</td>
</tr>
<tr>
<td></td>
<td>(4): increase the proportion of 21 year olds(^{15}) with NVQ level 3 or equivalent to 60% by 2005 and to 66% by 2010</td>
</tr>
<tr>
<td></td>
<td>(5): increase the proportion of working age adults(^{16}) with NVQ level 3 or equivalent by 54% in 2005 and to 59% by 2010</td>
</tr>
<tr>
<td></td>
<td>(6): increase the proportion of working age adults(^{17}) with NVQ level 4 or equivalent to 31% 2005 and to 40% by 2010</td>
</tr>
<tr>
<td></td>
<td>(Targets 3-6 are the National Learning Targets)</td>
</tr>
</tbody>
</table>

**Outcome**

**Organisational ‘origin’**  EMDA

**Data Capture**
- 1), 3)-6): household survey
- 5): count of employees
- 1), 3)-6): Labour Force Survey
- 5): ABI

**- the Time dimension**
- Data in RES relate to:
  - 1): 2000
  - 2): 1999
  - 3)-6): 2001
- (more up-to-date information is available)

**- the Spatial dimension**
- 1), 3)-6): region and some sub-regions (depending on sample size)
- 5): from ward level upwards (although some confidentiality constraints at finer levels of spatial disaggregation)

**- use of Classifications**
- See above

**Assessment**
- **technical assessment:**
  - no comments

**Interpretation:**
- ‘general’: regional employment rate disguises differences between sub-regions and sub-groups
- ‘specific’: there are issues relating to how ‘knowledge industries’ are defined; (Eurostat definition is different from the approach used in the Regional Economic Architecture)

---

\(^{14}\) It should be noted that these RDA targets relating to skills relate to a different initial target date (2005) from that used by the LSC.

\(^{15}\) Age 19 is used in local LSC targets for Level 3 qualifications.

\(^{16}\) DfES targets relate to adults in the workforce, rather than to adults of working age.

\(^{17}\) DfES targets relate to adults in the workforce, rather than to adults of working age.
**Innovation Context:**

Levels of innovation in business within the East Midlands are generally low.

**Key activities:**
- Foster a culture of innovation
- Exploit regional research strengths
- Improve knowledge transfer from research-to-business and business-to-business
- Provide support for business to exploit the science and technology base

<table>
<thead>
<tr>
<th>Indicators / Targets</th>
<th>Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1) Increase expenditure by businesses on R&amp;D (as a percentage of regional GDP) to 1.4% by 2005 and to 1.6% by 2010</td>
</tr>
<tr>
<td></td>
<td>2) Increase participation in knowledge transfer schemes by 5% per annum</td>
</tr>
</tbody>
</table>

**Outcome**

**Organisational ‘origin’**

EMDA

**National requirement**

**Data Capture**

1): Range of sources
2): employer survey

1): Regional Competitiveness Indicators (see above)
2): Community Innovation Survey (CIS)

- the **Time dimension**

Date relate to 1998-2000

- the **Spatial dimension**

Region

**Assessment**

‘Innovation’ is difficult to measure. The ‘innovation active’ measure used in the CIS is a wide one, covering whether enterprises have introduced a new or significantly improved good, service or process; were engaged in innovation projects; had expenditure on R&D; formally co-operated on innovation activities with other enterprises or institutions.

**International trade and inward investment context:**

International trade and inward investment have a pivotal role to play in the creation of jobs, wealth and improved competitiveness in the region. Building on strengths in manufacturing and services, the region has the capacity to both trade more intensively and to attract higher value, knowledge-intensive industries and services in key-growth clusters.

**Key activities** include:
- Engage more businesses in international trade
- Increase the number of organisations going into exporting or expanding their existing business
- Build on the regional strengths in clusters, target groups and international markets

<table>
<thead>
<tr>
<th>Indicators / Targets</th>
<th>International trade and inward investment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1): 200 new exporters per year to 2010</td>
</tr>
<tr>
<td></td>
<td>(2): 400 existing exporters to develop into new markets, per year, to 2010</td>
</tr>
<tr>
<td></td>
<td>(3): increase foreign direct investment year-on-year to 2010 by 1% above the average growth in the EU as a whole</td>
</tr>
</tbody>
</table>

**Outcome**

**Organisational ‘origin’**

EMDA
<table>
<thead>
<tr>
<th>Data Capture</th>
<th>National requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign investment figures from UNCTAD World Investment Report (annual)</td>
<td></td>
</tr>
<tr>
<td>Number of exporters tracked by Trade Partners UK</td>
<td></td>
</tr>
<tr>
<td>- the Time dimension</td>
<td>Data available on an annual basis</td>
</tr>
<tr>
<td>- the Spatial dimension</td>
<td>Region</td>
</tr>
<tr>
<td>- use of Classifications</td>
<td>Potential for industry breakdown</td>
</tr>
<tr>
<td>Assessment</td>
<td>technical assessment:</td>
</tr>
<tr>
<td>Measurement issues for different markets will affect the figure</td>
<td></td>
</tr>
</tbody>
</table>

**Rural development context:**

*Access* is the key issue for rural development – access to business development services, to skills, to transport, to services. Income and skills levels are generally low: seasonal, casual and fixed-term contract work are common.

**Key activities** include:
- Diversify the agricultural base
- Provide dedicated business advice and support to rural businesses, including agriculture
- Provide access to learning and skills for workforce development
- Retain or enhance service provision accessible to rural residents and businesses

<table>
<thead>
<tr>
<th>Indicators / Targets</th>
<th>Rural development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce the productivity gap between the least well-performing rural areas and the English median by 2006 – precise targets to be agreed</td>
<td>The indicator is measured by earnings per person of working age not in full-time education</td>
</tr>
<tr>
<td>Outcome</td>
<td></td>
</tr>
<tr>
<td>Organisational ‘origin’</td>
<td>DEFRA – adopted by <em>emda</em></td>
</tr>
<tr>
<td></td>
<td>DEFRA PSA target</td>
</tr>
<tr>
<td>Data Capture</td>
<td>Workplace survey of PAYE records</td>
</tr>
<tr>
<td></td>
<td>Household Survey</td>
</tr>
<tr>
<td></td>
<td>New Earnings Survey</td>
</tr>
<tr>
<td></td>
<td>Labour Force Survey</td>
</tr>
<tr>
<td>- the Time dimension</td>
<td>Baseline and targets are to be agreed.</td>
</tr>
<tr>
<td></td>
<td>‘Timing’ issues relate to the availability of LFS and NES data</td>
</tr>
<tr>
<td>- the Spatial dimension</td>
<td>Indicator is operationalised at the local authority district level. East Midlands rural areas identified amongst ‘least well-performing’ are East Lindsey, West Lindsey, South Holland, High Peak</td>
</tr>
<tr>
<td>- use of Classifications</td>
<td>Economic position classification from the LFS is used</td>
</tr>
<tr>
<td>Assessment</td>
<td>Technical assessment: There are concerns about the reliability of information other than on full-time earnings in the NES. This is a</td>
</tr>
</tbody>
</table>
particular issue in a rural context given the prevalence of part-time working.

**interpretation:** To raise productivity it is necessary to either increase the number of rural residents in employment, or the amount they earn, or both. Employment rates in rural areas are already relatively high, so the main emphasis needs to be on increasing the wages of people in employment (i.e. the quality of jobs).

**Urban regeneration context:**

**Urban areas** in the East Midlands are divided into 3 tiers:
1) 4 cities
2) 5 towns with populations over 50,000
3) 12 small towns with populations over 25,000
The challenge lies in dealing with the structural shifts of the past and accelerating the competitive advantage for the future. The urban economy is only one aspect of activity.

**Key activities** include:
- Enhancing the competitiveness of businesses in urban areas
- Increase the collective impact of the three core cities of Derby, Leicester and Nottingham
- Engage urban communities in the improvement of their areas

**Indicators / Targets**

<table>
<thead>
<tr>
<th>Indicators / Targets</th>
<th><strong>Urban regeneration</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1): Achieve a growth rate in knowledge intensive industries in towns and cities of 1.5% per annum until 2005 and of 1% per annum between 2005 and 2010</td>
</tr>
<tr>
<td></td>
<td>(2): Increase the economic activity rate in towns and cities to 61.5% by 2005 and to 64.5% by 2010</td>
</tr>
<tr>
<td></td>
<td>(3): To increase average weekly earnings in towns and cities to be within 5% of the national average by 2005 and to within 2% of the national average by 2010</td>
</tr>
</tbody>
</table>

**Outcome**

**Organisational ‘origin’**
- EMDA

**National requirement**

**Data Capture**
- Employer and household surveys, PAYE records
- **(1): Annual Business Inquiry**
- **(2): Labour Force Survey**
- **(3): New Earnings Survey**

- **the Time dimension**
  - (1): 2000 – although 2001 data are available, and data are updated locally
  - (2): 2001 – annual data are updated on an annual basis
  - (3): 2002 – data are updated annually

- **the Spatial dimension**
  - Indicator needs to be operationalised at the local authority district level.

- **use of Classifications**
  - (1): industry disaggregation used, but definition of ‘knowledge intensive’ industries is not provided
  - (2)-(3): Disaggregations are available in the data sources, but sample size considerations mean that disaggregations are not used

**Assessment**

**Technical assessment:**
There are issues about measuring temporal change with sample survey sources which are subject to sampling error – especially at sub-regional level. There is the issue of whether the change is
‘real’, or represents statistical ‘noise’

<table>
<thead>
<tr>
<th>interpretation:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Indicators are relatively transparent</td>
</tr>
<tr>
<td>- (3) weekly earnings generally relate to ‘full-time employees’ yet many people work on a part-time basis</td>
</tr>
<tr>
<td>- (1) there is no single agreed definition of ‘knowledge based’ industries</td>
</tr>
</tbody>
</table>
D. EAST MIDLANDS STATE OF THE REGION REPORT AND INTEGRATED REGIONAL STRATEGY

Introduction

The Integrated Regional Strategy (IRS)\textsuperscript{18} also serves as the Sustainable Development Framework for the region. A process of revision of the IRS is beginning in summer 2003, with a view to publishing a new/updated IRS in summer 2004.

The vision driving the IRS is: “The East Midlands will be the most progressive region in Europe, recognised for its high quality of life, vibrant economy, rich cultural and environmental diversity and sustainable communities.” The IRS has a number of Social (SO), Environmental (EN), Economic (EC) and Spatial (SP) Objectives.

The East Midlands Regional Assembly is in the process of preparing a State of the Region Report to monitor the progress towards the sustainable development objectives in the IRS. In the East Midlands State of the Region report – Emerging Messages – March 2003\textsuperscript{19} some of objectives in the December 2000 IRS these have been revised in line with the revision to the Regional Economic Strategy published by EMDA in October 2002.

Objectives and indicators

It is the indicators highlighted in this March 2003 document that are the subject of review here. For the State of the Region Report, the objectives, indicating “where the region wants to be” are grouped into 4 themes:

1) Social
2) Environmental
3) Economic
4) Spatial

Only those objectives deemed of relevance to the FRESA are considered here.

A guiding principle is that the State of the Region Report should be policy-led. Some of the initial IRS objectives have been changed in the light of data availability constraints.

Of particular relevance for the FRESA is that amongst the key issues raised in the East Midlands State of the Region report – Emerging Messages – March 2003 of relevance to the FRESA is:

- The key economic challenge for the region is breaking the combination of low productivity, low pay and low skills.

Relevant objectives:

Social objectives:

SO\textsubscript{2}: Lifelong Learning: NEW OBJECTIVE: To increase the engagement of adults and young people in lifelong learning.

(OLD OBJECTIVE: To ensure that the delivery of a wide range of Life-Long Learning Opportunities is provided for all parts of the community.)

For SO\textsubscript{2} two proxy indicators are highlighted:

- Participation in adult learning
- % of people at age 19 with NVQ level 2 qualification

\textsuperscript{18} East Midlands Regional Assembly (December 2000) England’s East Midlands Integrated Regional Strategy.

\textsuperscript{19} Prepared by the East Midlands Regional Assembly.
(The latter indicator is also identified under EC1 Employment & Skills, and so is not considered in more detail here.)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Participation in adult learning</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% people aged 16-69 years engaging in learning</td>
</tr>
<tr>
<td>Outcome</td>
<td></td>
</tr>
<tr>
<td>Organisational ‘origin’</td>
<td>DfES</td>
</tr>
<tr>
<td>Proxy indicator from DfES</td>
<td>not associated with a funding stream</td>
</tr>
<tr>
<td>Data Capture</td>
<td>Household survey of approximately 6,500 adults in England and Wales</td>
</tr>
<tr>
<td></td>
<td>National Adult Learning Survey – covered approximately 6,500 adults in England and Wales</td>
</tr>
<tr>
<td>- the Time dimension</td>
<td>Latest year for data is 2001</td>
</tr>
<tr>
<td></td>
<td>The survey was first conducted in 1997, and follow-up surveys were conducted in 2000 and 2001</td>
</tr>
<tr>
<td>- the Spatial dimension</td>
<td>Region</td>
</tr>
<tr>
<td>- use of Classifications</td>
<td>Education and qualifications. Taught and self-directed learning, vocational learning and other types of job-related learning. Covers learners and non-learners</td>
</tr>
<tr>
<td>Assessment</td>
<td>technical assessment: Aggregate data are robust at national and regional levels.</td>
</tr>
</tbody>
</table>

**interpretation:**
- ‘general’: used to monitor progress in meeting the government National Learning Target for adult participation
- ‘specific’: using this indicator it is not possible to demonstrate who is participating in learning (i.e. whether the hardest to reach parts of the community are engaging in learning)

(One other social objective could be deemed as being of partial relevance to the FRESA: SO6: Social Capital: To support the development and growth of social capital across the communities of the region.20)

**Economic objectives:**
Reference is made to the revised RES and a suggested new set of economic objectives and a new suite of regional indicators and targets.
EC1: Employment & Skills: To create high quality employment opportunities and to bring about excellence in learning and skills, giving the region a competitive edge in how we acquire and exploit knowledge.
EC2: Enterprise & Innovation: To develop a strong culture of enterprise and innovation, creating a climate within which entrepreneurs and world-class businesses can flourish.
EC3: Climate for Investment: To provide the physical conditions for a modern economic structure, including infrastructure to support the use of new technologies.

20 The relevant indicators relate to:
- Levels of civic engagement
- Participation in voluntary and community activities
- Perceptions of racial prejudice
These indicators are not assessed here.
All of the Targets listed under the Economic objectives of the *State of the Region Report* are as listed in the *Second Edition of the Regional Economic Strategy* (March 2003) and so are not considered separately here.
E. GOVERNMENT OFFICE FOR THE EAST MIDLANDS

Introduction

The Government Office for the East Midlands (GOEM) is charged with working with regional partners and local people to help deliver the Government’s central aims in the region.

GOEM falls under the auspices of the Office for the Deputy Prime Minister (ODPM) but represents the work and interests of several central government departments. What central government departments expect of GOs is set out in Public Service Agreements (PSAs).

Strategic Objectives

GOEM has 3 strategic objectives on which it focuses:21

1) To support the creation of communities that are safe, inclusive, healthy and with a high quality physical environment and good public services
2) To encourage enterprise and learning in line with business needs and cultural opportunities, to make sustainable improvements in the overall prosperity of the East Midlands and reduce the persistent gap in growth rates between regions and between areas within this region
3) To build stakeholder and internal capacity to support the integration of government policy, the delivery of programmes and effective partnership working

The second of these objectives has particular relevance for the FRESA.

Top Level Priorities

To support the delivery of strategic objectives GOEM has set 17 top level priorities to provide a focus for activity at operational level.

Activity is focused on specific places within the area where GOEM teams believe that there is the greatest need and the greatest opportunity to make a significant impact.

The top-level priorities of specific relevance to the FRESA are listed in the Table overleaf.

Delivery

For delivery purposes GOEM is organised into geographical subdivisions. There is also a structural division.

---

<table>
<thead>
<tr>
<th>Objective / Priority</th>
<th>Selected Relevant Measures</th>
<th>Relevant Departmental PSAs</th>
</tr>
</thead>
</table>
| 1h: to work with partner’s in the region’s seven Neighbourhood Renewal areas to support the delivery of the Neighbourhood Renewal National Strategy Action Plan | - Neighbourhood Renewal Floor Targets (progress will be compared against City of Derby)  
- Impact on achievement of Rural Action Zone (RAZ) targets | ODPM PSA Target 1: Promote better policy integration nationally, regionally and locally; in particular to work with departments to help them meet their PSA floor targets for neighbourhood renewal and social inclusion |
| 2a: to bring together the relevant delivery agents and local employers and support them in improving attainment rates, well being and behaviour of young people aged 14-19 | - Educational attainment results  
- 250 businesses within the region visited  
- Increased take-up of GCSEs on vocational subjects  
- 75% of participants on the Positive Action Programme return to education, training or employment and the remaining 25% towards engagement  
- LSC Basic Skills Targets – aggregated regionally  
- Significant progress being made towards the attainment of the 2 and 3 tier targets contained in emda’s performance framework | DfES PSA Target 1: Raise standards in English and Maths in primary schools  
DfES PSA Target 2: Raise standards in English, Maths, ICT and Science in secondary education  
DfES PSA Target 5: Raising standards in schools and colleges |
| b: to build and manage relationships with, and between, businesses in the region and other stakeholders to support the development and delivery of the FRESA and government policies | | ODPM PSA Target 2 and DTI PSA Target 7: Making sustainable improvements in the economic performance of all English regions and over the long term reducing the persistent gap in growth rates between all regions  
DWP PSA Target 3: Demonstrate progress by Spring 2006 on increasing the employment rate and reducing the unemployment rate over the economic cycle  
DfES PSA Target 10: Improving the basic skills levels of 1.5 million adults  
DfES PSA Target 11: To reduce by at least 40% the number of adults in the UK workforce who lack NVQ2 or equivalent qualifications by 2010  
DWP PSA Target 3: (see above) |
| 2c: to ensure that the N+2 spend target for ERDF of £52m by the end of 2003 is met | | DEFRA PSA Target 4: Reduce the gap in productivity between the least well performing quartile of rural areas and the English median by 2006, and improve the accessibility of services for rural people |
| 2d: to ensure that all elements of the regional delivery plan under the Food and Farming Strategy are delivered in accordance with agreed targets for 2003/2004 | | |

22 There may be other PSAs that are not deemed to be of central relevance here.
| 2e: to sponsor and work with emda to help deliver the Region’s Economic Strategy and emda’s output targets | DTI PSA Target 1: Demonstrate progress by 2006 on the Government’s long-term objective of raising the rate of UK productivity growth over the economic cycle, improving competitiveness and narrowing the productivity gap with the US, France and Germany  
DTI PSA Target 2: Improve the relative performance of the UK’s science and engineering base, the exploitation of the science base, and the overall innovation performance of the UK economy  
DTI PSA Target 6: Help to build an enterprise society in which small firms of all kinds thrive and achieve their potential with (a) an increase in the number of people considering going into small business, (b) an improvement in the overall productivity of small firms, and (c) more enterprise in disadvantaged communities  
DTI PSA Target 11: Deliver a measurable improvement in business performance of Trade Partners UK’s customers; and maintain the UK as the prime location in the EU for foreign direct investment  
DCMS PSA Target 3: Improve the productivity of tourism, creative and leisure industries  
DEFRA PSA Target 1: Promote sustainable development across Government and the country as a whole as measured by achieving positive trends in the Government’s headline indicators of sustainable development |
F. DEPARTMENT FOR EDUCATION AND SKILLS, LEARNING AND SKILLS COUNCIL (INCLUDING LOCAL ARMS), LEARNING PARTNERSHIPS AND INFORMATION, ADVICE AND GUIDANCE PARTNERSHIPS

Introduction

The healthy, ‘aspirational’ labour market envisaged in the FRESA is dependent upon moving up the skills and value chain (East Midlands FRESA 2002, p.12). Of the indicators outlined, the indicators relating directly to skills are:

- % of 19 year olds with five or more GCSEs A-C grades, an intermediate GNVQ or NVQ level 2
- % workforce without qualifications
- % workforce qualified to NVQ 4+
- % workforce receiving training in the last 13 weeks
- % adults with basic skill needs (literacy and numeracy).

The key question is the extent to which progress on these indicators reveal improvements in the skills base of the regional economy. In many respects progress needs to be measured against some baseline. The Department for Education and Skills (DfES) has set a range of national targets to be achieved mainly by 2006 – these are described below – so that progress is measured against movement towards those national targets. Whether these targets represent a challenging objective or some readily realisable one is an important consideration. If it is the latter, then progress is defined as movement towards the average rather than towards a more challenging objective: e.g. towards achieving the standard of the leading region or local area. It is also important to measure the rate of progress given the different starting points in the regions and LLSC areas.

The remainder of this section looks at the performance measures and targets used by the DfES, the Learning and Skills Council (LSC) and its local arms in the East Midlands, together with those associated with Learning Partnerships and Information, Advice and Guidance Partnerships. The description and assessment is limited to what might be considered the more direct measures of skill, and therefore concentrates on:

- qualification/education attainment;
  - young people
  - adults
- participation in training and learning;
- workforce development.

There are further issues concerning the training infrastructure such as further education colleges’ engagement with employers where targets related to funding are being developed, but these are not considered here because these are more concerned with institutional performance. Similarly, education and training user satisfaction (a target for the LSC) has also been excluded from this section, although it is of importance if more people are to be encouraged to participate in lifelong learning.

The starting point is the Department for Education and Skills Delivering Results: A Strategy to 2006 which established the national targets relating to educational attainment and qualifications which various public agencies under DfES’s aegis are committed to attaining. The targets established in this document have been reiterated in the July 2003 White Paper: Skills Strategy.
## National targets relating to skills: Department for Education and Skills

### Young people: educational attainment

<table>
<thead>
<tr>
<th>Indicator / Target</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between 2002-2006 proportion of those aged 16 who obtain five GCSE’s A-C grade increases by 2 per cent a year so that at least 20 per cent of pupils achieve this standard by 2004 and 25 per cent by 2006</td>
<td></td>
</tr>
<tr>
<td>By 2004, all LEAs to have a rate of achievement for 16 year olds of at least 38 per cent achieving five or more GCSEs at A-C or equivalent</td>
<td></td>
</tr>
<tr>
<td>92 per cent of pupils should achieve GCSEs at A-G or equivalent by 2004</td>
<td></td>
</tr>
</tbody>
</table>

### Young people: post-compulsory educational attainment

<table>
<thead>
<tr>
<th>Indicator / Target</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of 19 years olds with level 2 qualifications to rise by 3 percentage points between 2002 and 2004, and a further 3 percentage points by 2006</td>
<td></td>
</tr>
<tr>
<td>Proportion of 19 year olds achieving a level 3 qualification to increase to 55 per cent by 2004</td>
<td></td>
</tr>
</tbody>
</table>

### Assessment

Use of statistic as a measure of skill supply depends upon interpretation of qualification as a measure of skill. But in the absence of other indicators it is the best available.

## Data Capture

### Time dimension

- Data collected routinely as administrative return – annual

### Spatial dimension

- National but high level of disaggregation possible to the level of a school and thereby spatially

### Classifications

- May be possible to analyse by characteristics of individual pupil/school and potentially by the socio-economic and demographic characteristics of an area where administrative data are supplemented by various other data

## Assessment

- Effectively a census

## Indicator / Target

<table>
<thead>
<tr>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative data; LFS data allows robust estimates to be</td>
</tr>
</tbody>
</table>
drawn but sample size limits the level of spatial disaggregation. Use of statistic depends upon interpretation of what qualification measures and whether this is an effective reflection of ability. There is also a need to know the broad subject areas in which qualifications at level 2 and 3 are being obtained. For example, are they related to growth areas of the economy or where there are skill-shortage vacancies.

<table>
<thead>
<tr>
<th>Indicator / Target</th>
<th>Young people: participation in training</th>
</tr>
</thead>
</table>
| • By 2004, 28 per cent of young people to start a Modern Apprenticeship  
• By 2010, 90 per cent of young people by age 22 will have participated in a full-time training programme  
• By 2010 to increase participation in Higher Education towards 50 per cent of those aged 18-30 years. |

Outcome variable
Organisational ‘origin’  
Department for Education and Skills
National Requirement
Central to DfES core strategy relating to education
Data Capture  
Administrative records for Modern Apprenticeships.  
Those currently in training can be identified via LFS.  
For higher education HESA/HEFCE administrative data provide information about participation

- **Time dimension** At least annually
- **Spatial dimension** Use of data sets such as LFS provide regional data and local data where successive quarters of data are merged
- **use of Classifications** Where data sources such as LFS are used it is possible to provide details of socio-economic characteristics of individuals

Assessment  
Data are collected through regular quarterly surveys but there might be limits disaggregating this data beyond that implied by the sampling design

Modern Apprenticeship starts is of limited use – given the level of non-completion information is also required on numbers who gain the award

Higher education statistics may be of limited use. The key issue, from a skill supply perspective at the local and regional level is the population of graduates working or looking for work in the area. Graduate retention within the region is the key issue here

<table>
<thead>
<tr>
<th>Indicator / Target</th>
<th>Adults: participation in training and learning</th>
</tr>
</thead>
</table>
| • Improve the basic skills levels of 1.5 million adults between 2001 and 2007, with a milestone of 750,000 by 2004  
• Reduce by at least 40 per cent the number of adults in the workforce who lack NVQ 2 or equivalent qualifications by 2010. With one million adults to achieve this level between 2003 and 2006 |
<table>
<thead>
<tr>
<th>Outcome variable</th>
<th>Department for Education and Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Requirement</td>
<td>Central to DfES core strategy relating to adult education</td>
</tr>
<tr>
<td>Data Capture</td>
<td>Administrative records/survey data</td>
</tr>
<tr>
<td>- the <em>Time</em> dimension</td>
<td>It is not specified how these targets will be monitored. Some is possibly obtainable from administrative returns but it is likely that others will be dependent upon survey data. Basic Skills Agency also has data. Surveys that collect information about numeracy and literacy are periodically collected, such as the International Adult Literacy Survey reported by OECD</td>
</tr>
<tr>
<td>- the <em>Spatial</em> dimension</td>
<td>Depends upon survey source but is likely to be limited</td>
</tr>
<tr>
<td>- use of <em>Classifications</em></td>
<td>(see above)</td>
</tr>
<tr>
<td>Assessment</td>
<td>Employers frequently cite the lack of basic skills as an impediment of recruiting long-term unemployed people – so the basic skills indicator would appear to be tackle this problem</td>
</tr>
</tbody>
</table>

**Indicator / Target**

**Workforce Development**

- By 2007, 45 per cent of the workforce to be in organisations with IiP or working towards it. At least 40,000 SMEs to have achieved IiP or be working towards it (see DfES Skills Strategy)

<table>
<thead>
<tr>
<th>Outcome variable</th>
<th>Department for Education and Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Requirement</td>
<td>Central to DfES core strategy relating to adult education as specified in the ‘Skills Strategy’</td>
</tr>
<tr>
<td>Data Capture</td>
<td>Administrative records of IiP. National Employers Skill Survey (NESS)</td>
</tr>
<tr>
<td>- the <em>Time</em> dimension</td>
<td>IiP data available annually (may be more frequently if requested from IiP). NESS data will be available every two years – possibly.</td>
</tr>
<tr>
<td>- the <em>Spatial</em> dimension</td>
<td>National survey data allows disaggregation to regional level and LLSC by characteristics of workplaces</td>
</tr>
<tr>
<td>- use of <em>Classifications</em></td>
<td>(see above)</td>
</tr>
<tr>
<td>Assessment</td>
<td>There is much indicative evidence that IiP has a positive impact on organisational performance although to date its award has been disproportionately located in large workplaces and/or the public sector. Targets point towards its take up outside of this core group</td>
</tr>
</tbody>
</table>

**National targets relating to skills: Learning and Skills Council**

The LSC’s national targets are outlined in the *Strategic Framework to 2004: Corporate Plan*. How these national targets are applied to local LSCs is described as follows in the Corporate Plan: “Rather than simply allocating national targets pro-rata to local Councils according to population size, we need to take account of the widely different starting points of different areas... Obviously, the targets set by individual Councils will be significantly higher or lower than the national target, reflecting their different starting points” (p.9). The national targets established by the LSC are as follows:
<table>
<thead>
<tr>
<th>Indicator / Target</th>
<th>Young people: post-compulsory educational attainment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• 80 per cent of 16-18 year olds on structured training by 2004</td>
</tr>
<tr>
<td></td>
<td>• 85 per cent of 19 year olds to have achieved level 2 by 2004</td>
</tr>
<tr>
<td>Outcome variable</td>
<td></td>
</tr>
<tr>
<td>Organisational ‘origin’</td>
<td>Learning and Skills Council</td>
</tr>
<tr>
<td>National Requirement</td>
<td></td>
</tr>
<tr>
<td>Data Capture</td>
<td>Administrative records/survey data</td>
</tr>
<tr>
<td>- the Time dimension</td>
<td>It is not specified how these targets will be monitored. Some is possibly obtainable from administrative returns but it is likely that others will be dependent upon surveys such as the LFS (quarterly)</td>
</tr>
<tr>
<td>- the Spatial dimension</td>
<td>National; survey data (LFS) allows disaggregation to regional level (and possibly LLSC area) by socio-economic and educational characteristics.</td>
</tr>
<tr>
<td>- use of Classifications</td>
<td>(see above)</td>
</tr>
<tr>
<td>Assessment</td>
<td>Relationship between receipt of training and qualifications identified as important components of employability</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indicator / Target</th>
<th>Adults: participation in training and learning</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Raise literacy and numeracy skills of 750,000 adults by 2004</td>
</tr>
<tr>
<td></td>
<td>• 52 per cent of adults to have achieved level 3</td>
</tr>
<tr>
<td>Outcome variable</td>
<td></td>
</tr>
<tr>
<td>Organisational ‘origin’</td>
<td>Learning and Skills Council</td>
</tr>
<tr>
<td>National Requirement</td>
<td></td>
</tr>
<tr>
<td>Data Capture</td>
<td>Administrative records/survey data</td>
</tr>
<tr>
<td>- the Time dimension</td>
<td>It is not specified how these targets will be monitored. Some is possibly obtainable from administrative returns but it is likely that others will be dependent upon surveys such as the LFS (quarterly)</td>
</tr>
<tr>
<td>- the Spatial dimension</td>
<td>National; survey data allows disaggregation to regional level (and possibly LLSC area) by socio-economic and educational characteristics.</td>
</tr>
<tr>
<td>- use of Classifications</td>
<td>(see above)</td>
</tr>
<tr>
<td>Assessment</td>
<td>Administrative data; LFS data allows robust estimates to be drawn.</td>
</tr>
<tr>
<td></td>
<td>Employers frequently cite the lack of basic skills as an impediment of recruiting long-term unemployed people – so the basic skills indicator would appear to be tackle this problem.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indicator / (Target)</th>
<th>Workforce Development</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Measures to be developed for next year’s plan</td>
</tr>
</tbody>
</table>
Local targets: Local Learning and Skills Councils

The respective annual plans of each Local Learning and Skill Council outlines their strategic objectives over the medium-term. In general the quantifiable measures of activity contained in respective Annual Plans refer to those set by the national LSC. Some LSCs, such as Leicestershire report additional strategic objectives such as:

- trainers of basic skills and ESOL tutors trained;
- basic skills and ESOL tutors trained;
- centres of Vocational Excellence;
- new organisations recognised as Investors in People;
- organisations investing in training activity.

Annual reports and plans also report on the specific initiatives designed to meet the targets established by the national LSC. There are occasional references in the documentation about the difficulty of measuring targets given the lack of robust, reliable data at the local level especially where administrative data are not available and data sources such as the LFS might not yield statistically significant results at the level of spatial disaggregation required.

Local targets: Information, Advice and Guidance Partnerships

Central to the LSC's lifelong learning policy, IAGs provide the services to adults as implied in their name. IAGs are seen as contributing to the improvement in basic skills outlined in the national targets. It has not proved possible, despite contacting several IAGs, to obtain information about targets they are working to. Respondents appeared to suggest that there were no quantifiable targets.

There is, however, a growing emphasis on targets, performance management and labour market information (LMI). If useful guidance is to be provided, this needs to be in a context of an understanding and appreciation of labour market requirements.

There is also a shift in emphasis towards those who are ‘hardest to help’. For this sub-group, ‘soft outcomes’ (such as increasing confidence and self-esteem), as well as ‘hard outcomes’ (such as placement in sustainable jobs) would appear to be appropriate.

Local targets: Learning Partnerships

It has not proved possible to identify targets for Learning Partnerships despite contacting them (see comments in IAGs above).

Conclusion

The indicators relating to skills are derived from the DfES’s Delivering Results: A Strategy to 2006. In relation to the East Midland’s FRESA a number of observations can be made in relation to:

- the availability of data to measure progress against targets;
- what targets reveal about the operation of the labour market.

With respect to the availability of data it is apparent that there is a heavy reliance upon (a) administrative data; and (b) the LFS. In the past there appears to have been limited data to measure progress but the with the availability of ‘enhanced’ LFS data the situation is improving at local level.
G. SECTOR SKILLS DEVELOPMENT AGENCY

Introduction

The Sector Skills Development Agency (SSDA) funds, supports and champions the new UK-wide network of influential employer-led Sector Skills Councils (SSCs). It is a company limited by guarantee and a non-departmental public body, although answerable to the Department for Education and Skills.23

Structure and development

The SSDA was set up by Government, after consultation24, in April 2002. It has responsibility for establishing a Skills for Business Network (SfBN) and for licensing individual Sector Skill Councils (SSC)25. This employer-Government partnership with sectors is designed to reduce the deficit in specialist trade or higher technical skills and links skills development to wider competitiveness and productivity issues. Five Trailblazer SSCs were established in order to learn lessons for the future:

(i) retail sector;
(ii) in apparel, footwear and textiles;
(iii) in audio-visual industries;
(iv) oil, gas, refining and chemical sector; and
(v) in environmental and land-based industries26.

A number of SSC are now fully licensed and it is planned that around 25 SSC will be licensed by June 2004 (as compared to the 73 previous NTOs).

Role

The role of the SSDA is to underpin and develop SSCs. In brief, the SSDA will:

• assist employers in sectors in bidding to become SSCs;
• fund, support and monitor the performance of SSCs across the UK;
• ensure quality and consistent standards across the network;
• provide minimum cover for essential functions in sectors without an SSC;
• ensure skills provision is designed to meet sector needs;
• ensure generic skills are effectively covered in the work of SSCs;
• promote best practice sharing and benchmarking between sectors;
• provide a website portal for public bodies and individuals to access high quality sectoral labour market intelligence across the UK.

The SSDA is pursuing national and sectoral objectives. To date, a regional dimension to the SSDA has been underdeveloped, with no specific regional agenda nor any regional organisation for delivery at the outset,27 although SSDA strategy and the activities of individual SSC have regional consequences because of the concentration of some sector in specific regions. Consequently the SSDA has not had regional performance targets or indicators. Instead it has a set of targets and indicators that relate to its mission to promote the Skills for Business network and increase employer engagement with the SSDA, the network and with Sector Skills Councils.

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23 Both the Chair and Chief Executive are appointed by the Secretary of State for Education and Skills.
27 However, Partnership Managers have recently been appointed in each of the English regions.
Objectives, measures and targets

The objectives of the SSDA and the measures used, together with current targets are shown in the Table below:

SSDA Targets 2003-2004: Performance Monitoring Scorecard

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Measure</th>
<th>Indicators</th>
<th>Baseline (early 2003)</th>
<th>Target (end March 2004)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Raise employer awareness of the SfB network, SSDA and SSCs</strong></td>
<td>Employer awareness of network, agency and SSCs</td>
<td>% of employers aware of: - Network - Agency - SSCs</td>
<td>20% 10% 10%</td>
<td>40% 10% 25%</td>
</tr>
<tr>
<td></td>
<td>Employer understanding of the network</td>
<td>% of employers who say they understand: - Network - Agency - SSCs</td>
<td>4% 3% 4%</td>
<td>10% 5% 10%</td>
</tr>
<tr>
<td><strong>Engage employers with SfB objectives</strong></td>
<td>Employer Engagement 1</td>
<td>Proportion of employers contributing funding to SSCs or amount of funding contributes to SSCs.</td>
<td>Not yet available</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Employer Engagement 2</td>
<td>% of employers who had dealings with SSCs/SSDA/ or SfBn</td>
<td>3%</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>Employer Commitment</td>
<td>Employer spend on training per employee (depth)</td>
<td>£1024</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Number of training days per employee trained</td>
<td>8.2</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Proportion of businesses engaged in training (width)</td>
<td>88%</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Customer Satisfaction</strong></td>
<td>Employer satisfaction</td>
<td>% employers satisfied or better with licensed SSCs</td>
<td>Not yet available</td>
<td>65%</td>
</tr>
<tr>
<td></td>
<td>Partner satisfaction</td>
<td>% partners satisfied or better with licensed SSCs</td>
<td>Not yet available</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>% % partners satisfied or better with SSDA</td>
<td>Not yet available</td>
<td>65%</td>
</tr>
<tr>
<td><strong>Network of SSCs completed</strong></td>
<td>SSCs fully licensed</td>
<td>Number of fully licensed SSCs</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td><strong>Sector skills agreements</strong></td>
<td>Sector skills agreements in development</td>
<td>0 Number of sector skills agreements in development</td>
<td>0</td>
<td>5</td>
</tr>
</tbody>
</table>

Note: N/A denotes not applicable
H. SMALL BUSINESS SERVICE

Introduction

The Small Business Service (SBS) is an executive agency of the Department of Trade and Industry (DTI). SBS was launched in 2000 to provide a single organisation dedicated to helping small firms and representing them within Government. Its mission is to build an enterprise society in which small firms of all kinds thrive and achieve their potential.

The SBS is responsible, on behalf of DTI, for the Business Link network of business advice and support. Business Link operates in 45 locations across England and provides information for businesses and access to a wide network of business support organisations. Advice covers such topics as business start up, sources of finance and funding (including government grants and other support for business) and advice on business and employment law. Further details of Business Link are provided in the next section of this report. SBS is also responsible for national services such as the Small Firms Loan Guarantee Scheme and SMART.

SBS strategy

The SBS Business Plan 2003 identifies three broad aims for SBS. There are:

1) that more people, regardless of their background, have the desire, skills and opportunity to start a successful business;
2) that everyone with the ambition to grow their business being helped and supported;
3) there will be a supportive business environment with all small businesses finding it easy to respond to government and access its services.

The framework for achieving these aims was set out in Small Business and Government – The Way Forward published in December 2002. This identified seven strategic themes as key drivers of economic growth, improved productivity and a wider involvement in enterprise for all. These were:

a) building an enterprise culture;
b) encouraging a more dynamic start-up market;
c) building the capacity for small business growth;
d) improving access to finance for small businesses;
e) encouraging more enterprise in disadvantaged communities and under-represented groups;
f) improving small businesses’ experience of government services; and
g) developing better regulation and policy.

Indicators and targets

In order to deliver this strategy the SBS has set a number of measures and targets. The SBS will measure its success using the following indicators:

- **Enterprise culture**: measured as an increase in the number of adults considering going into business or becoming self-employed, from 12 per cent in the 2001 Household Survey to 14 per cent in the 2005 survey.
- **Business start-ups**: indicators based on productivity and employment.
- **Capacity for business growth**: targets defined in terms of the number of small businesses involved in innovation, businesses reporting that they wish to grow and a reduction in businesses reporting skill shortages.
- **Access to finance**: a reduction in the number of businesses reporting finance as a barrier to growth and investment across all communities.

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29 www.sbs.gov.uk/strategy
• **Disadvantaged communities and under-represented groups:** to reduce the gap between VAT registrations in the 20 per cent most deprived wards and the 20 per cent least deprived wards by at least one percentage point per year and to narrow the gap in self-employment rates between the genders and between black (and mixed groups) and all other ethnic groups by 2005.

• **Business experience of government services:** will be measured by indicators based on market penetration and customer perception and satisfaction with government services to small firms.

• **Business regulation:** the indicator is the proportion of small businesses citing regulation as a barrier to growth.

More specifically, the targets for 2003-04 were set out in the SBS Business Plan 2003, namely:

- to work with key government departments to build a comprehensive, cross-government strategy to support an enterprise culture by January 2004;
- to hold ‘Enterprise Shows’ in at least five regions (bringing together government and private sector service providers to help those thinking of starting a business) by January 2004;
- review research evidence on the factors that determine a small business’s capacity to grow and publish a ‘capabilities for growth’ strategy by March 2004;
- implement a new grant for research and development, support 700 projects under the new scheme, pilot a grant for ‘innovation capability’ by March 2004;
- deliver a range of interventions to improve the availability of small business finance, including rolling out the Early Growth Funding programme and the Regional Venture Capital Funds by March 2004;
- launch Phoenix Development Fund projects by December 2003;
- reduce the gap between VAT registrations in the 20 per cent most deprived local authority wards and the 20 per cent least deprived wards by one per cent;
- roll out the new DTI business support portfolio by March 2004 using Business Link;
- increase market penetration of Business Link from current 16 per cent to 22 per cent, and customer satisfaction rate from 82 per cent to 87 per cent, by March 2004;
- evaluate the three Regional Development Agency-led business support pilots in the North West, West Midlands and East Midlands by January 2004;
- draw up an action plan to deliver significant improvements in government’s performance in relation to the regulatory environment for small business by November 2003;
- work towards securing formal Investors in People recognition by June 2004.

SBS is a national agency and is seeking to implement its strategic aims at the national level. Regional and local implementation of SBS objectives is undertaken by Business Link. Readers should refer to the Business Link section of this report for information about support for small business and enterprise in the East Midlands.
I. BUSINESS LINK

Introduction

Business Link (BL) is a national business advice service, primarily serving small and medium sized enterprise (SME). It operates in 45 locations across England and provides information for businesses and access to a wide network of business support organisations. Advice covers such topics as business start up, sources of finance and funding (including government grants and other support for business) and advice on business and employment law.

Help and assistance is provided in three main ways. The Business Link website provides information on the issues that affect business using fact sheets, frequently asked questions and case studies on everything from writing a business plan to managing customers30. Secondly, help and advice can be accessed by telephoning the Business Link advice line31. Thirdly, at the local level, Business Link provides practical help on day-to-day issues through local face-to-face contact with a business adviser. Business Link brings together local business support services through its partners and can offer access to specialists whose experience may be helpful to local business. Business Links advisers work with both private and public sector organisations to offer the most appropriate advice available.

Business Link in the East Midlands

Five local Business Links (BL) operate within the East Midland region. These are:

- Business Link Derbyshire
- Business Link Leicestershire
- Business Link Lincolnshire and Rutland
- Business Link Northamptonshire
- Business Link Nottinghamshire

East Midlands Business Links are responsible for the delivery of business advice and support in the five counties of the region after which they are named. Each BL has set out its corporate aims and objectives in a Delivery Plan. These vary across local BLs reflecting differences in local circumstances and needs. The strategic objectives of BLs are well illustrated by those of Business Link Leicestershire which includes the following strategic objectives:

- to contribute to the improved performance of local and incoming businesses;
- to grow the market, both demand and supply, for business support in order to help businesses become more competitive;
- to establish local credibility and reputation for Business Link;
- to seek out and maximise strategic development opportunities;

Common themes running through all of the Delivery Plans are ‘market penetration’ and ‘customer and people satisfaction’. For instance, Business Link Leicestershire stipulates that its organisational objectives for 2003/04 are:

- to increase penetration rates from 12 per cent in 2002.03 to 22 per cent in 2003/04;
- achieve a 91 per cent customer satisfaction rate in 2003/04;
- achieve an 85 per cent people satisfaction.

Business support in the region is coordinated through the Business Support Forum (BSF), membership of which consists of the five East Midland Business links, EMDA, the local LSC and TPUK. The BSF has identified four priorities for regional collaboration. These are:

- encouraging business births;
- cluster development;

30 www.businesslink.org
31 0845 600 9006
• regenerating urban areas;
• improving leadership and management capabilities in small and medium sized enterprise.

Indicators, targets and milestones

The Delivery Plans of the East Midlands Business Links identify three types of target for BL activity. These targets are:
• contribution of BL to regional development targets;
• delivery targets/milestones;
• the ‘balanced scorecard’.

Contribution to RDA targets. The Regional Development Agency (emda) has set targets for its activities. Each of the East Midlands Business Links has taken these RDA targets and set out the contribution that it can make to the achievement of the RDA targets. The BL contribution is set out in detail against each of the RDA targets. BL contributions are defined mainly in terms of levels of activities (e.g. number of businesses taking up adviser services) and outcomes (e.g. number of new business start-ups).

Table 1 provides an example drawn from Business Link Nottinghamshire. The table shows only the planned contribution of BL Nottinghamshire to RDA strands directly relating to labour market issues. Some RDA strands not centrally related to labour market issues have been omitted, as have the corresponding BL contributions. Examples include ‘international trade and inward investment’ and ‘E-business’. In other cases - such as ‘transport’, site provision and development’ and tourism – the RDA strand has been omitted from Table 1 because Business Link do not foresee a contribution to that aspect of regional development. The source of data for the RDA targets is set out elsewhere in this report. East Midlands Business Links takes those RDA targets and sets out its contribution. Data for assessing the BL targets will almost exclusively come from the BL company management data and monitoring systems.

Delivery targets/milestones. The East Midlands business Links companies set out targets or milestones for their activities in respect of a number of themes. These themes are:
• improving access to finance for SMEs;
• improving management capabilities and skills in SMEs;
• encouraging international trade;
• enabling sector development;
• getting the UK on-line for business;
• promoting innovation and knowledge transfer;
• supporting business incubation;
• encouraging business start-ups;
• reaching out to ethnic minorities;
• promoting social enterprise;
• encouraging women into business;
• developing the rural economy;
• regenerating urban communities;
• succeeding in family business.

These themes are common to all five East Midlands Business Links. Against each theme, each local BL company has set out its own specific target or milestone. These targets tend to be a mix of:
• qualitative targets - for instance ‘maintain up-to-date and accurate information on loans and other funding options’ (BL Leicestershire) or ‘brokerage service operating’ (BL Lincolnshire and Rutland); and
• quantitative targets - such as ‘over 2 years, 6 SMEs assisted and 118 jobs safeguarded (BL Lincolnshire and Rutland), ‘100 individuals to undertake the High Growth programme of which 40 go on to start a business’ (BL Derbyshire).
As in the case of BL contributions to RDA targets, the delivery targets/milestones are almost exclusively of a type that can be expected to be sources from management information systems and monitoring information (such as customer satisfaction surveys) internal to the BL companies.

**Table 1: Contribution of Business Link Nottinghamshire to RDA targets**

| RDA Strand               |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |
|--------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|
| **Productivity**         | GVA per hour worked to an average rate of 1.7% per annum by 2010 | • To increase the % of businesses significantly assisted (level 3) by BLN in priority sectors from 39% to 45%. |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |
| **Employment, Learning and Skills** | Increase the regional employment rate to 76.7% by 2005. | Increase the proportion of individuals considering starting up their own business to the current England average (12%) by 2005 | 500 individuals engaged in management development. | 75 new IIP commitments | 84 new IIP recognitions. | 30 IIP reviews | 100 non-IIP businesses undertaking planned training | 4 IIP specific events | 11 NBN events | 200 management development events | 100 companies attending EFQM training events. | 15 family businesses attending training or management development programmes. |
|                          | Increase employment in knowledge intensive industries to 40% by 2005 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |
|                          | Increase the proportion of: | 85% of 19 year-olds with NVQ level 2 or equivalent by 2005 | 60% of 21 year-olds with NVQ level 3 or equivalent by 2005 | 54% of working-age adults with NVQ level 3 or equivalent by 2005 | 31% of working-age adults with NVQ level 4 or equivalent by 2005 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |
| **Enterprise**           | VAT registration rate to within 5 percentage points (32 registrations per 10,000 pop) of the GB average by 2005 | Increase the proportion of businesses surviving their first year to 92% by 2005 | 67 start up and pre-start businesses advised on ICT issues. | Increase the number of people who are considering starting a business by 10% from 2290 to 2519, over 2002/3. | Increase the number of new business formations in Nottinghamshire by 10% from 280 to 308 in 2002/3. With equal increase in proportion across the whole county. | Assist in the creation of 7 high growth businesses. | 25 women starting in business. | 25 family businesses taking up adviser services. | 50 businesses provided with advice on funding. | 40 businesses referred through brokering services for financing in excess of £30K. | 200K of funds raised. | Improve 1 year survival rates to the regional average. |
|                          |                                                                 | Increase the gap in VAT registration rates between the most and the least deprived wards by 1% per annum |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |
| **Enterprising Communities** | Reduce the proportion of income support claimants to 7% by 2005 | Reduce the regional deprivation gap within the 20% most deprived wards from a multiple of 6.5 to 4 by 2010 | Hold 10 community creative events. | Assist in the creation of 3 community businesses. | Pre-start/start-up EMBs and EMBs in key sectors use BL services in equivalent proportion to their share of the total customer base. | Penetration of EMBs in non-key sectors and EMBs in steady state/lifestyle businesses use BL services at same penetration level as all businesses. | EMB customer satisfaction rates at same as all businesses. | 10 social enterprises assisted in start-up. | 50K of external funding raised to support social enterprise. (EMCLF) |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |                                                                 |

**Source:** adapted from Business Link Nottinghamshire Delivery Plan 2003/04
'The Balanced Scorecard’. This refers to a set of key performance indicators adopted by each of the East Midlands Business Link companies. The indicators refer to a number of BL objectives and are grouped according to a number of ‘perspectives. These perspectives are:

- customer perspective;
- internal perspective;
- people, learning and innovation perspective;
- financial perspective;
- social perspective.

Within these perspectives are a number of key performance indicators. These are:

- improve competitiveness and business productivity;
- gather and share knowledge
- meet and exceed customer needs
- develop a competent and motivated workforce;
- ensure service is value for money;
- maintain a viable business support organisation;
- encourage business start-ups amongst all sections of the community and ensure their survival.

In each case, indicators are presented in terms of current achievement (a baseline), a benchmark figure, a target for 2003/04 and two forecasts for 2004/05 and 2005/06.

Table 2 provides details of the key indicators used in the ‘balanced scorecard’. The table has been adapted from the Delivery Plan of Business Link Derbyshire and presents the indicator again each of the themes together with a note on the definition of the indicator. The actual numbers for the baseline, benchmark and targets have been omitted.

The performance indicators in Table 2 are much more specific and precise than other targets discussed so far. Moreover, in a number of cases the performance indicators either rely on an external source of data or else require external data to be combined with internal management information. For instance, the measures of awareness of Business Link requires data from national employer surveys, of which the National Employer Skill Survey is the most obvious candidate to use. Similarly, measures of market penetration require not only data on businesses supported by BL but also data on the local population of businesses derived from the Inter Departmental Business Register (IDBR), the sampling frame of businesses created by the Office for National Statistics. Another example is the measure of assisted start-up survival rates, which requires data from the Small Business Service.

Other key performance measure require only data from within the BL company, either management information of monitoring survey data (in particular customer satisfaction surveys).
<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>MEASURE</th>
<th>COMMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve competitiveness and business productivity</td>
<td>Overall Market Penetration of BL services</td>
<td>Identified as the sum of supported businesses (existing and pre-starts) as a % of IDBR+</td>
</tr>
<tr>
<td></td>
<td>Market Penetration levels for Existing Businesses</td>
<td>Number and % IDBR +</td>
</tr>
<tr>
<td></td>
<td>Absolute change in GVA</td>
<td>Intensively Assisted Only</td>
</tr>
<tr>
<td></td>
<td>Change in GVA per employee</td>
<td>Intensively Assisted Only</td>
</tr>
<tr>
<td>Gather and share knowledge</td>
<td>Develop brokerage processes in line with agreed Forum 21 regional model</td>
<td>Identified as the number of business issues referred to non-contracted third party providers.</td>
</tr>
<tr>
<td>Meet and exceed customer needs.</td>
<td>% of firms aware of BL – unprompted</td>
<td>Proportions as determined by national surveys.</td>
</tr>
<tr>
<td></td>
<td>% of firms aware of BL - prompted</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% of customers willing to recommend BL to others.</td>
<td>Proportion as derived from customer surveys.</td>
</tr>
<tr>
<td></td>
<td>% of customers confirming BL has benefited their business.</td>
<td>Proportion as derived from customer surveys.</td>
</tr>
<tr>
<td>Develop a competent and motivated workforce</td>
<td>% of staff turnover</td>
<td>Normal staff turnover to be no greater than 10% as defined by CIPD</td>
</tr>
<tr>
<td></td>
<td>Number of days training per employee per year</td>
<td>Average annual training/employee will be 4 days.</td>
</tr>
<tr>
<td></td>
<td>Number of new products / services introduced</td>
<td>Services that were not available to customers at the end of the previous year</td>
</tr>
<tr>
<td></td>
<td>Customer satisfaction level</td>
<td>All users via customer surveys</td>
</tr>
<tr>
<td>Ensure service delivery is value for money</td>
<td>Financial efficiency</td>
<td>Cost per customer based on total expenditure (including overheads)</td>
</tr>
<tr>
<td></td>
<td>Cost per customer</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Financial Efficiency (Cost per activity)</td>
<td>Total expenditure (including overheads) used to finance activities from which SBS MI data is collated.</td>
</tr>
<tr>
<td>Maintain a viable business support organisation</td>
<td>Ratio of customers to delivery staff</td>
<td>Customers (penetration) divided by delivery staff.</td>
</tr>
<tr>
<td>Encourage business start-ups across all sections of the community and</td>
<td>Pre-start-ups supported</td>
<td>Identified as a number and a proportion of the economically active</td>
</tr>
<tr>
<td>ensure their survival</td>
<td>Start-ups supported</td>
<td>Actual starts are a sub-set of market penetration for existing businesses.</td>
</tr>
<tr>
<td></td>
<td>Survival rates of assisted start-ups</td>
<td>Based on SBS derived figures</td>
</tr>
</tbody>
</table>

*Source: adapted from Business Link Derbyshire Delivery Plan 2003/04*
J. JOBCENTRE PLUS

Introduction

Jobcentre Plus came into existence as a national organisation in April 2002, bringing together those parts of the Benefits Agency that dealt with people of working age, with the whole of the former Employment Service.

Jobcentre Plus is designed to help meet the Government’s aim of promoting work as the best form of welfare, while providing appropriate help and support for those without jobs and ensuring the security of the benefits system. Jobcentre Plus also aims to help achieve the Government’s objective of promoting economic growth through a competitive and flexible labour market.

Targets 2003-04

Jobcentre Plus Targets\(^{32}\) relate to 5 themes. Those shown in bold are of particular relevance to the FRESA and are assessed in the templates below:

1) **Job Entry** – about getting people into work
2) **Monetary Value of Fraud and Error**
3) **Customer Service** – although aspects relating to proactivity (i.e. understanding customers’ requests, anticipating their needs and tailoring services to individual needs\(^{33}\)) are of relevance.
4) **Employer Outcome** – about meeting employers’ recruitment needs
5) **Business Delivery** – although aspects of relation to basic skills (i.e. attendance at an independent assessment following a basic skills referral\(^{34}\)) are of relevance

<table>
<thead>
<tr>
<th>Indicator / (Target)</th>
<th>Job Entry target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Helping people into work</td>
</tr>
<tr>
<td></td>
<td>▪ To achieve a total points score of 484,185 regionally(^{35}) - allocated to Jobcentre Plus Districts(^{36}) as follows:</td>
</tr>
<tr>
<td></td>
<td>Derbyshire  117932</td>
</tr>
<tr>
<td></td>
<td>Greater Nottingham 90472</td>
</tr>
<tr>
<td></td>
<td>Leicestershire 91806</td>
</tr>
<tr>
<td></td>
<td>Lincs &amp; Rutland  70234</td>
</tr>
<tr>
<td></td>
<td>North Notts  59156</td>
</tr>
<tr>
<td></td>
<td>Northamptonshire 54585</td>
</tr>
<tr>
<td></td>
<td>▪ No district falling below 85% of its target</td>
</tr>
</tbody>
</table>

Outcome

Organisational ‘origin’

Jobcentre Plus

National

Not associated with a funding stream but central to Jobcentre Plus operations and objectives

Data Capture

Jobcentre Plus points data from the Labour Market System.\(^{37}\)

There is a complex *points* system reflecting the ease of job entry for different individuals. There are 5 different points categories covering the range of Jobcentre Plus customers, with those who

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\(^{33}\) An independent research company using a Mystery Shopping programme collects information for this target.

\(^{34}\) This is measured by means of a Labour Market Management Information System report that calculates the percentage of starts against referrals in a month at Region, District and Local Office level.

\(^{35}\) Nationally the points score is 7,681,000.

\(^{36}\) The ‘mix’ of people in different areas is taken into account when setting the targets.

\(^{37}\) Jobcentre Plus in-house system.
are hardest to place (Priority Group 1) assigned most points.

- **Priority Group 1**: 12 points – Jobless lone parents on the New Deal for Lone Parents, those on the New Deal for Disabled People, all people in receipt of Incapacity Benefit, Severe Disability Allowance, Income Support, Carers Allowance and Bereavement Benefit

- **Priority Group 2**: 8 points – people on the New Deal 50 plus, the New Deal 25 plus, the New Deal for Young People, Employment Zones, people with disabilities not included in Priority Group 1, people claiming JSA for 6 months and over

- **Priority Group 3**: 4 points – people claiming JSA for under 6 months

- **Priority Group 4**: 2 points – unemployed not claiming benefits

- **Priority Group 5**: 1 point – employed people

---

### - the Time dimension

<table>
<thead>
<tr>
<th>Time dimension</th>
<th>There are weekly and monthly performance targets entitled 'pulse reports'.</th>
</tr>
</thead>
</table>

### - the Spatial dimension

<table>
<thead>
<tr>
<th>Spatial dimension</th>
<th>All job entries are postcoded by the residence of the Jobcentre Plus client, and postcodes are used to allocate job entries to wards, districts and aggregates. Additional points are assigned for customers living in certain areas:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Those living in the 30 Local Authority Districts (nationally) with the worst labour market conditions attract 50% of the original points score or 2 points (whichever is the higher) for unemployed Jobcentre Plus job entries.</td>
</tr>
<tr>
<td></td>
<td>Those living in one of 258 specified wards (nationally) which have been identified as having unemployment levels at twice the national average and a minority ethnic population twice the national average have additional points awarded on the same basis as above.</td>
</tr>
<tr>
<td></td>
<td>Those living in one of the 258 wards which falls within one of the 30 local authority districts attract both sets of additional points.</td>
</tr>
</tbody>
</table>

### - use of Classifications

<table>
<thead>
<tr>
<th>Classifications</th>
<th>Characteristics and residence of job entrants are recorded in order to allocate the appropriate points score.</th>
</tr>
</thead>
</table>

### Assessment

- **technical assessment**: the targets are solely reliant on accurate recording on the Jobcentre Plus Labour Market System

### Interpretation:

- The emphasis of the points system is on ‘final outcomes’ (i.e. job entry – irrespective of the nature/quality of the job in question).
- **Sustainability** of employment is afforded little emphasis: for JSA customers placed into work by Jobcentre Plus who remain off JSA for 4 weeks or more – 1 point is awarded. Hence, the overwhelming emphasis is on the quantity, rather than the quality, of job entries.

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38 This represents an increased emphasis, compared with previous points regimes, on helping the inactive into work.

39 The points targets are set to reflect seasonal fluctuations in performance (e.g. peaking in the autumn and in mid February).

40 There are measures – not explicit in the targets – to deal with the ‘revolving door’ syndrome (i.e. cycling between employment and unemployment) by incorporating a ‘sustainability’ element in contracts with New Deal providers, etc.
### Indicator / (Target)

**Employer Outcome target**

- Offering the best possible service to employers by measuring how quickly and effectively employer’s recruitment needs are met
  - At least 82% of employers placing their vacancies with Jobcentre Plus will have a positive outcome (as measured by ‘resolution’, ‘responsiveness’ and ‘matching’ [see below])
  - No district falling below 70%

### Outcome

<table>
<thead>
<tr>
<th>Organisational ‘origin’</th>
<th>Jobcentre Plus</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>National – cascaded to regions and districts</td>
</tr>
<tr>
<td></td>
<td>Not associated with a funding stream but central to Jobcentre Plus operations and objectives</td>
</tr>
</tbody>
</table>

### Data Capture

<table>
<thead>
<tr>
<th>Employer survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>An independent research company who telephones a random sample of employers notifying vacancies to Jobcentre Plus conducts the employer survey. Information is collected on three elements of performance – each of which account for a third of the target:</td>
</tr>
<tr>
<td>- <strong>Resolution</strong> – Was the vacancy filled?</td>
</tr>
<tr>
<td>- <strong>Responsiveness</strong> – Was the vacancy filled in a timescale that met their needs?</td>
</tr>
<tr>
<td>- <strong>Matching</strong> – Did they think that the people sent for the job matched the vacancy/job details?</td>
</tr>
</tbody>
</table>

- the **Time** dimension

  The employer survey is conducted on an ongoing basis – with results reported each quarter

- the **Spatial** dimension

  The sample size for the employer survey is large enough to give valid results at National, Regional and District level.

- use of **Classifications**

  Further details of survey not available

### Assessment

| **technical assessment**: no reason to doubt the effectiveness or reliability of the sample survey of employers |

### Interpretation:

The emphasis here is on providing employers with a service that meets their needs. This may be considered an important element of a ‘demand-led’ approach.

The fact that there is increasing work undertaken by Jobcentre Plus in enhancing the skills of their clients to enable them to better fill the vacancies available means that Jobcentre Plus does play a role in both ‘up-skilling’ and in increasing employment rates in the region.

It is estimated that Jobcentre Plus handles a third of vacancies in the East Midlands region. Because of the Employer Outcome targets there is an interest on the part of Jobcentre Plus in handling the types of vacancies that their clients can fill (i.e. generally jobs at the lower end of the skills hierarchy).

### Conclusion

The Jobcentre Plus Targets focus on placing the ‘hardest to help’. Helping those in employment is afforded little priority by the targetry framework.

The targets are heavily reliant on the Jobcentre Plus internal information system – the Labour Market System.
Employer engagement is a key activity for Jobcentre Plus, and validation teams are concerned with monitoring employer reactions to Jobcentre Plus services. However, there are not specific targets relating to the number of employers engage with over a specified period, or to the ‘quality’ of engagement.
K.  SUB REGIONAL STRATEGIC PARTNERSHIPS

Introduction

Sub Regional Strategic Partnerships (SSPs) are responsible for delivering the Regional Economic Strategy (RES) delivered at sub regional level. The SSPs bring together a wide range of interests – including business, the public sector, voluntary and community groups. There are seven such SSPs in the East Midlands (see section on Geography for details).

To deliver the RES across the region it is recognised that a ‘one size fits all’ solution cannot be applied, because sub regions have different needs and opportunities. Hence, the Lincolnshire Enterprise Business Plan (submitted to emda in January 2003) states (p. 5): “The Lincolnshire Agenda and this plan are wholly consistent with their regional counterparts, though there are differences of emphasis, and of wording, reflecting the differences between Lincolnshire and the average state of the region as a whole.” Hence, in Lincolnshire, in terms of education and skills priority is placed on developing skills in the workforce, because while in the county attainment levels at schools are above regional and national averages, skills levels remain low in the adult workforce. It is recognised that to ensure skilled people do not out-migrate, new employment opportunities for managers and professionals need to be created in Lincolnshire. Also the importance of lifelong learning is recognised.

SSPs are relatively new organisations41 – 2003/4 has been the first year of operation for most of the SSPs. To date the main emphasis has been on partnership building and developing a sub-regional strategy in order to maximise / make best use of existing resources. For instance, in the Greater Nottingham Partnership a key focus identified for the future is ensuring better liaison between supply (i.e. provision via FE, private and voluntary organisations) and demand (as defined by employers, employees and communities). Some SSPs see an important part of their role as ‘identifying gaps’ and ‘exerting strategic influence on mainstream activity’. At present, the emphasis has been on working towards emda (and FRESA) targets; the development of local targets is likely to become a more important issue as SSPs mature.

The Geography of SSPs

There are seven SSPs in the East Midlands, as outlined below.

The SSPs represent a different local geography from other sub-regional units used for local policy purposes (e.g. local LSC areas).

Two notable features of the geography of SSPs have implications for data collection, setting baselines and targets, and monitoring are:

- the overlap between some SSPs : Welland SSP includes Rutland (which is unique to the SSP), but all other constituent districts also form part of other SSPs (Lincolnshire, Leicester Shire and Northamptonshire);
- the split of Ashfield LAD (on the basis of whole wards) between Greater Nottingham Partnership and North Derbyshire & North Nottinghamshire Partnership.

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41 Although some evolved from earlier partnership structures
SSP Local Authority Districts (LAD) covered

<table>
<thead>
<tr>
<th>SSP</th>
<th>Local Authority Districts (LAD) covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lincolnshire Enterprise</td>
<td>Boston, East Lindsey, Lincoln, North Kesteven, South Holland, South Kesteven, West Lindsey</td>
</tr>
<tr>
<td>Partnership</td>
<td><em>East Northamptonshire</em>, <em>Harborough</em>, <em>Melton</em>, Rutland, South Kesteven</td>
</tr>
<tr>
<td>Welland Partnership</td>
<td>Broxtowe, Gedling, Nottingham, Rushcliffe, Hucknall wards in Ashfield LAD (Hucknall North/East/West/Central)</td>
</tr>
<tr>
<td>Greater Nottingham Partnership</td>
<td>Ashfield (excluding 4 Hucknall wards), Bassetlaw, Bolsover, Chesterfield, Mansfield, Newark and Sherwood, North East Derbyshire</td>
</tr>
<tr>
<td>North Derbyshire and North</td>
<td>Amber Valley, Derby, Derbyshire Dales, Erewash, High Peak, South Derbyshire</td>
</tr>
<tr>
<td>Nottinghamshire Partnership</td>
<td><em>Note</em>: Local Authority Districts included in more than one SSP area are shown in italics.</td>
</tr>
</tbody>
</table>

In principle, it is possible to generate data for five of the seven SSPs comprising aggregations of ‘whole LADs’ from data sources for which the LAD is an input geographical unit. However, even in the case of ‘whole LADs’ there may be problems of generating robust data from survey sources (such as the Labour Force Survey) due to sample size and associated suppression of data for some variables. Issues of sample size, sampling error and sampling variability are of particular importance when endeavouring to set baselines and targets, and measure change over time. In the case of the Welland Partnership, for example, it has proved difficult to establish a baseline position for the SSP area. For example, although Rutland is a unitary authority area, much ONS data is suppressed, and where data are available there are doubts concerning its reliability.

A pilot feasibility study focusing on the Leicester Shire SSP area\(^{42}\) has shown that the largest of the ONS household surveys, the Labour Force Survey, is a useful source of data for labour market analysis at SSP level. However, variables based on relatively small sample sizes may be of limited meaning. The need for spread of a sample across SSP areas as well as other local geographies needs to be borne in mind when designing new regional level surveys.

**Business Plans**

SSPs are responsible for developing Business Plans for submission to *emda*. The Business Plans provide a performance framework for activity over a 3-year period\(^{43}\) – as indicated in EMDA (July 2003) *Sub-Regional Partnerships – Working in and for the Region – Guidance Note 2.2, SSP Business Plans*. In this latest guidance, SSPs are asked to identify key activities relating to the 12 strands\(^{44}\) of the RES most relevant to each SSP. The Plans should also set out how activities/initiatives relate to

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\(^{43}\) As indicated in EMDA (July 2003) *Sub-Regional Partnerships – Working in and for the Region – Guidance Note 2.2, SSP Business Plans*.

the achievement of core Tier 3 outputs\textsuperscript{45} and any supplementary Tier 3 outputs, and also Tier 2 outcome targets set by the Government for the region.

Current Action Plans are organised around priority themes.\textsuperscript{46} Examples of priority themes are shown in the Table below, (with themes of particular relevance to the FRESA italicised). The emphasis to date has been on priorities, as opposed to targets. Any specific targets identified in SSP Business Plans may be thought of as ‘sub-targets of emda targets’: essentially, the SSPs are concerned with the delivery of outputs for emda.

<table>
<thead>
<tr>
<th>Leicester Shire</th>
<th>Lincolnshire</th>
<th>Northamptonshire / Welland</th>
<th>North Derbyshire / North Notts</th>
</tr>
</thead>
<tbody>
<tr>
<td>People and Skills</td>
<td>Employment and Skills</td>
<td>Learning and Skills</td>
<td>Skills for a Modern Economy</td>
</tr>
<tr>
<td>Enterprise and Innovation</td>
<td>Enterprise and Innovation</td>
<td>Enterprise and Innovation</td>
<td>Enterprise and Innovation</td>
</tr>
<tr>
<td>Land and Buildings</td>
<td>Climate for Investment</td>
<td>Climate for Investment</td>
<td>Business Environment</td>
</tr>
<tr>
<td>Sustainable Communities</td>
<td></td>
<td>Sustainable Communities</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>ICTs</td>
<td></td>
</tr>
</tbody>
</table>

In each of the themes a number of priorities are identified. Hence, for example, the Learning and Skills priorities developed for Welland SSP are:

- \( LS1 \) - Undertake an audit of skill levels and training requirements with the assistance of local companies
- \( LS2 \) - Develop our rural training programme with a particular emphasis on effective delivery to small businesses and the farming community
- \( LS3 \) - Continue to support innovative approaches to increasing awareness of and access to training in rural areas
- \( LS4 \) - Investigate support measures for smaller companies, with our learning and skills partners.

A number of cross-cutting themes are identified also. Typically these include:
- ICT (unless a priority theme)
- Inward Investment
- Economic Inclusion
- Tourism

Each of the Business Plans also includes a statement of the strengths / opportunities and weaknesses in the sub-region, and their relationship to the strategic priorities. Hence, in North Derbyshire & North Nottinghamshire the SSP Strategy points to the fact that local incomes are only 77% of the UK average. The area offers good communications, inexpensive housing, an available labour force and many potential business development sites. This contrasts with a context of near ‘full employment’ in Northamptonshire.

\textsuperscript{45} i.e. Jobs created or safeguarded; Business created / attracted; Brownfield land remediated recycled; Learning Opportunities created. (Those of particular relevance to the FRESA are italicised.

\textsuperscript{46} Not all Business Plans were available to the researchers. Those that were are:
- North Derbyshire and North Nottinghamshire SSP (February 2003) The North Derbyshire and North Nottinghamshire Sub-Regional Strategic Partnership, Skills for a Modern Economy Strategy
- Welland Sub-Regional Strategic Partnership (undated) Economic Strategy – Executive Summary
Some material from Greater Nottingham Partnership was also made available.
**Examples of SSP projects / approaches**

In **Leicester Shire** early ‘People and Skills’ projects are:

- **Learning and Advice**: a project focusing on the FRESA’s push for a more demand-led approach to learning, by providing a brokerage service for information, advice and guidance on accessing learning provision through a team of learning advisors. The service provided in this project is intended to provide a ‘one stop shop’ service for individuals and in particular SME owner/managers, so helping to overcome problems in identifying and sourcing relevant solutions.

- **Aiding Employment in Key Sectors**: focusing on links between the most disadvantaged and three sectors - health, construction and tourism - where significant job gains are expected over the next few years.

These projects are expected to contribute to the core Tier 3 output of ‘Learning Opportunities created (400 in 2003/4 and 2,000 in future years), as well as supplementary Tier 3 outputs relating to the ‘number of graduates newly employed in small businesses’ and the ‘number of people over 45 receiving advice’. The projects also contribute towards the Tier 2 targets of growth in GDP, reducing the unemployment claimant count, increasing the employment rate, tackling specific sector skills, increasing productivity and increasing the people going into business.

In **North Derbyshire and North Nottinghamshire** early projects include:

- **Coalfield Literacy Strategy**: concerned with the roll-out of a family literacy strategy – designed to raise literacy and numeracy levels of the most disadvantaged in the sub-regions, and to break the inter-generational cycle of poor literacy and numeracy, so allowing progression to higher skill levels.

- **Promoting Science & Technology**: aimed at encouraging young people to take up careers in science and technology.

In **Welland**, a rural-based partnership, the emphasis is on building ‘skills development’ into projects concerned with broader ‘business improvement’ or other strategies (e.g. a Tourism Strategy) – so that skills take on an ‘underpinning’ role. For the micro businesses that predominate in rural areas ‘achievement of qualifications’ is not the main aim. Rather short bursts of training fitted around business requirements are more often what is required – although this does not fit neatly with the Tier 3 definition of ‘learning opportunities’). Some work has been undertaken on ‘learning clusters’: concerned with identifying geographic clusters of small businesses and then finding out about their training needs.

**Conclusion**

SSPs are relatively new structures, although some were built on older partnership structures. In terms of targets, specification of local targets is under-developed at this stage: rather the emphasis is on specifying Tier 3 outputs and identifying contributions to Tier 2 outcomes.

SSPs are concerned with the delivery of emda policy at sub-regional level, but within different geographical boundaries from some of the other local players (e.g. local LSCs, LSPs, etc). The ‘geography’ of some of the SSP areas poses particular challenges in respect of generation of data for indicators and targets which can be updated on a regular basis.
L. LOCAL STRATEGIC PARTNERSHIPS

Introduction

A local strategic partnership (LSP) is a single body that brings together at a local level the different parts of the public sector as well as the private, business, community and voluntary sectors so that different initiatives and services support each other and work together. LSPs are non-statutory, non-executive organisations. They are intended to operate at a level which enables strategic decisions to be taken and is close enough to individual neighbourhoods to allow actions to be determined at community level.

Partnership is at the heart of LSPs, on the basis that tackling key issues for local people such as crime, jobs, education, health and housing requires a range of local organisations working together.

The context for the establishment of LSPs includes:

- the introduction of statutory community strategies – with the objective of improving the economic, social and environmental well-being of each area and its inhabitants, and to contribute to the achievement of sustainable development in the UK;
- steps to rationalise and simplify existing partnerships;
- the piloting of local agreements between central and local government to tackle key national and local priorities on health, education, community safety and other quality of life issues; and
- the launch of a national strategy to renew the country’s most deprived neighbourhoods – the National Strategy Action Plan was published January 2001, with the objective of narrowing the gap between the most deprived neighbourhoods and the rest of the country, with common goals of lower unemployment and crime, and better health, education, housing and physical environment.

LSP membership varies from place to place and is determined locally. The ODPM recommended that core membership should include:

- public sector organisations which serve the partnership area;
- community organisations and local people;
- voluntary organisations; and
- businesses.

The Neighbourhood Renewal Fund (NRF) provides specific additional funding to support neighbourhood renewal for the 88 local authority areas with the highest concentrations of deprivation. The NRF is an unhypothecated grant that can be spent in any way that tackles deprivation in the most deprived neighbourhoods, particularly, but not exclusively, in relation to the Government’s national floor targets (see below). In the East Midlands there are seven such authorities: 1) Ashfield 2) Bolsover 3) Derby 4) Leicester 5) Lincoln 6) Mansfield 7) Nottingham

The work of LSPs

Local partners will decide the full range of work of their LSP. Core tasks are to:

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47 LSPs are not delivery vehicles. Nor are they statutory bodies. Although they have central government backing, they can only make progress locally through influence, persuasion and the commitment and goodwill of the member organisations.

48 A New Commitment to Neighbourhood Renewal.

49 The decision was made to restrict attention to these 7 local authority districts for the purpose of this project.
- prepare and implement a **community strategy** for the area, identify and deliver the most important things which need to be done, keep track of progress, and keep it up-to-date;
- bring together local **plans, partnerships and initiatives** to provide a forum through which mainstream public service providers (local authorities, the police, health services, central government agencies and so on) work effectively together to meet local needs and priorities;
- (in the 88 local authorities receiving NRF) develop and deliver a **local neighbourhood renewal strategy (LNRS)** to secure more jobs, better education, improved health, reduced crime, and better housing, closing the gap between deprived neighbourhoods and the rest and contributing to the national targets to tackle deprivation. There are PSA targets tackling deprivation in respect of education, employment, crime, health and housing.

**Government Offices (GOs)** provide a direct channel of communication between LSPs and Government. GOs are expected to act as:
- **facilitators** to support the development of LSPs;
- **mediators** to resolve difficulties which may arise over the participation of Government agencies in LSPs, and in the negotiation of partnership and plan rationalisation proposals;
- **accreditors** to assess whether NRF grant conditions have been met and that LSPs are effective and involve genuine community participation.

**Floor targets**

“Floor target” is a generic term used to describe targets that set a minimum standard for disadvantaged groups or areas, or a narrowing of the gap between them and the rest of the country. Normal targets relate to the average, and can hide patches of severe deprivation. Setting **floor targets** is about ensuring a certain level of standards for all.\(^{50}\)

Current floor targets (and relevant PSAs\(^{51}\)) were set out in the *Spending Review 2002 (SR2002)*. Those deemed of relevance to the FRESA are:

<table>
<thead>
<tr>
<th>Department for Education and Skills (DfES)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Between 2002 and 2006 the proportion of those aged 16 who get qualifications equivalent to 5 GCSEs at grades A* to C rises by 2 percentage points each year on average and in all schools at least 20% of pupils achieve this standard by 2004 rising to 25% by 2006.</td>
</tr>
<tr>
<td>• Increase the percentage of pupils obtaining five or more GCSEs at A*-C, with at least 38 per cent to achieve this standard in every local education authority (LEA) by 2004.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Office of the Deputy Prime Minister (ODPM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Work with the full range of Government departments and policies to raise the levels of social inclusion, neighbourhood renewal and regional prosperity to promote better policy integration nationally, regionally and locally; in particular to work with departments to help them meet their PSA floor targets for neighbourhood renewal and social inclusion.</td>
</tr>
<tr>
<td>• Make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions, defining measures to improve performance and reporting progress against these measures by 2006.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Department of Trade and Industry (DTI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Help to build an enterprise society in which small firms of all kinds thrive and achieve their potential, with (i) an increase in the number of people considering going into business, (ii) an improvement in the overall productivity of small firms, and (iii) more enterprise in disadvantaged communities.</td>
</tr>
<tr>
<td>• Make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions, defining measures to improve performance and reporting progress against these measures by 2006.</td>
</tr>
</tbody>
</table>

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\(^{50}\) Floor targets were first introduced in 2000 as the social equivalent of the Minimum Wage.

\(^{51}\) Note that some PSAs are shared between government departments.
Over the 3 years to Spring 2006 increase the employment rates of disadvantaged areas and groups, taking account of the economic cycle - lone parents, ethnic minorities, people aged 50 and over, those with the lowest qualifications, and people in the 30 local authority districts with the poorest initial labour market provision, and significantly reduce the difference between their employment rates and the overall rate.

**Department of the Environment, Food and Rural Affairs (DEFRA)**

- Reduce the gap in productivity between the least well performing quartile of rural areas and the English median by 2006, and improve the accessibility of services for rural people.

**Department for Work and Pensions (DWP)**

- Over the three years to Spring 2006, increase the employment rates of disadvantaged areas and groups, taking account of the economic cycle – lone parents, ethnic minorities, people aged 50 and over, those with the lowest qualifications, and the 30 local authority districts with the poorest initial labour market position, and significantly reduce the difference between their employment rates and the overall rate.

**HM Treasury (HMT)**

- Make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions, defining measures to improve performance and reporting progress against these measures by 2006.

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**Overview of Local Neighbourhood Renewal Strategies (LNRSs) in the East Midlands**

LNRSs seem to have been produced with different purposes in mind. Some show intent and broad dimensions of the Strategy, but are less strong on detail. Others are like working documents for the people/agencies needing to deliver the strategy. In some instances, the LNRS is not a stand-alone document. Hence, the LNRSs may be thought of as being at different stages of development.

Most LNRSs have reached the stage of developing a broad strategic framework. Beyond that, progress is very varied. As many places are at such an early stage in developing their strategies and action plans, their targets tend to be very general.

The key features of the LNRSs for the East Midlands are outlined below:

**Ashfield LSP**

**Overview:**
The LNRS forms part of the Community Strategy and strategic links are extensive. Activities by theme are outlined, but no clear targets are established.

**Strategic priorities**

- **Learning and skills** - create a ‘learning district’ with high vocational and academic achievement
- **Jobs** - attract new industries, develop new ideas and take up new technologies

**Policy themes**

- **Education** - support school activity and skills development, foster community and family engagement and promote attitude changes
- **Jobs** - promote greater job access, tackle skills shortages, foster generic skills development and business support initiatives

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52 In the East Midlands 5 Rural districts are identified as having consistently poor regional economic performance: East Lindsey, West Lindsey, High Peak, South Holland, Bolsover (also a Neighbourhood Renewal district); and 3 other urban or rural districts are identified as containing significant poor rural economic performance: Bassetlaw, Newark and Sherwood, Derbyshire Dales.

53 Of the 30 local authority districts covered by this target, 21 are in England and are within the 88 most deprived areas covered by the NRF. One such district – Nottingham – is in the East Midlands.

54 The help and advice of Crispian Fuller and Mike Geddes from the Local Government Centre, University of Warwick, who are working on the national evaluation of LSPs for ODPM is gratefully acknowledged.
Information base of the strategy
Worklessness - Unemployment rates, IMD income, benefit claimants
Education - DfEE education attainment data 1999/2000

Desired outcomes
Neighbourhood Action Teams will develop initiatives to meet the Government’s floor targets of:

- Increasing educational attainment in key stage II and improving GCSEs A-C – with specific priorities to support school activity and skills development, foster community and family engagement and promote attitude changes
- Increasing employment opportunities – with specific priorities to promote greater job access, tackle skills shortages, foster generic skills development and business support initiatives

Bolsover LSP

Purpose of the strategy is to enhance:

- Community wellbeing (improved quality of life)
- Economic prosperity (higher living standards)
- Lifelong learning (better access to education)

Information base of the strategy
The LNRS makes use of the Coalfield Task Forces’ Report on ‘Making the Difference A New Start for England’s coalfield Communities’ (1998). Factors identified as being associated with deprivation are:

- Unemployment rate
- Downward pressure on wage levels
- Proportion of households with no wage earner
- Long term limiting illness
- Lower standard of educational attainment

Targets

Worklessness:
- provide more practical business support, advice and encourage inward investment year on year.
- work with the private sector to secure the implementation of the three key employment sites at Barlborough Links, South Shirebrook and Pinxton Castle.
- secure a sustainable employment growth zone at Markham and adjoining areas, and achieve at least 25 hectares of developed industrial land by 2007.
- increase the overall tourism spend in the areas by 4% per year.
- conduct feasibility studies relating to delivery mechanisms designed to satisfy rural issues by April 2004.
- assess the current demand for public transport which is not being met and develop a strategy on flexible transport methods to help meet those needs by 2004.
- link at least three other LSP partners to the Council’s network of information kiosks and ICT Centres by April 2004.
- Increase the percentage of the area’s population covered by a local area regeneration strategy to 50% by 2005.

Education:
- increase adult participation in education, training and learning by 65% by 2003 (p.12).
- increase the percentage of 16-18 year olds in structured learning to 805 by 2004.
- increase the percentage of 19 year olds who achieve level 2 standard to 85% by 2004.
- increase the percentage of 19 year olds who achieve level 3 standard to 44% by 2004.
- increase the percentage of adults who achieve level 2 standard to 70% by 2003.

Derby LSP

Overview
This is LNRS presents neighbourhood and indicator data. The movement to ‘action’ includes future activities, mainstreaming arrangements, targets and decision-making structures, including
neighbourhood management arrangements. There are no explicit monitoring and evaluating mechanisms.

**Particular issues** identified from the neighbourhood study include basic skills - literacy, numeracy and ICT

**Desired outcomes**
The LNRS will aim to achieve substantial improvements in the quality of life for residents of the priority neighbourhoods, and to bring key indicators in those neighbourhoods closer to city averages.

**Indicators**
Indicators chosen for outcome targets relate to national Floor Targets where relevant. All indicators have the ability to be re-measured frequently – no indicators from the Census have been chosen because of the problem of re-measurement.

**Outcome targets**

<table>
<thead>
<tr>
<th>Indicator / Target</th>
<th>Work and Poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Employment rate (% of people of working age who are working)</td>
<td>1) NRF Floor Target</td>
</tr>
<tr>
<td>2) Unemployment rate</td>
<td>2) Derby LSP</td>
</tr>
<tr>
<td>▪ We want no neighbourhood to have more than double the unemployment rate for Derby by Year 7</td>
<td>3) Derby LSP</td>
</tr>
<tr>
<td>▪ By Year 4 we want all except one neighbourhood to be at less than double Derby’s rate</td>
<td></td>
</tr>
<tr>
<td>3) Households with income below £15K</td>
<td></td>
</tr>
<tr>
<td>▪ We want all areas to have their proportion of households with income under £15K at no higher than 120% of the City percentage by Year 7, and at no higher than 125% of the City percentage by Year 4</td>
<td></td>
</tr>
</tbody>
</table>

**Organisational ‘origin’**

| 1) National | 1) NRF Floor Target |
| 2) Local decision | 2) Derby LSP |
| 3) Local decision | 3) Derby LSP |

The targets are all related to NRF funding stream objectives.

**Data Capture**

| 1) “Doubtful” that regular survey data are available at ward level | 1) not applicable |
| 2) administrative records and Census of Population | 2) numerator: claimant count (via Nomis) |
| 3) lifestyle data, Census of Population data, market research data | denominator: economically active from Census of Population |
| | 3) CACI Paycheck data – data are derived from a household income model |

- **the Time dimension**

| 1) not applicable | 1) not applicable |
| 2) numerator: updated monthly | 2) numerator: updated monthly |
| denominator: currently relates to 1991, but can be updated to 2001 | denominator: currently relates to 1991, but can be updated to 2001 |
| 3) not known – but can be updated | 3) not known – but can be updated |

- **the Spatial dimension**

| All data needed at ward level | No more detailed classifications used |
| Paycheck data is postcoded | |

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55 These *target neighbourhoods* have been identified because they have the most challenging problems in relation to specific outcomes, so efforts will be concentrated there in the first instance.
<table>
<thead>
<tr>
<th>Indicator / Target</th>
<th>Education</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organisational ‘origin’</strong></td>
<td></td>
</tr>
<tr>
<td>1) NRF Floor Target</td>
<td></td>
</tr>
<tr>
<td>2) Derby LSP</td>
<td></td>
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<tr>
<td>3) Derby LSP</td>
<td></td>
</tr>
<tr>
<td>1) based National target – but set locally</td>
<td></td>
</tr>
<tr>
<td>2) Local decision</td>
<td></td>
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<tr>
<td>3) Local decision</td>
<td></td>
</tr>
<tr>
<td>The targets are all related to NRF funding stream objectives</td>
<td></td>
</tr>
<tr>
<td><strong>Data Capture</strong></td>
<td></td>
</tr>
<tr>
<td>1) education test records</td>
<td></td>
</tr>
<tr>
<td>2) education test records</td>
<td></td>
</tr>
<tr>
<td>3) administrative records, survey of young people</td>
<td></td>
</tr>
<tr>
<td>1) Derby City Council Education Service</td>
<td></td>
</tr>
<tr>
<td>2) Derby City Council Education Service</td>
<td></td>
</tr>
<tr>
<td>3) Derbyshire Connexions / Derby City Council</td>
<td></td>
</tr>
<tr>
<td><strong>- the Time dimension</strong></td>
<td>All data are capable of being updated annually, with an elapsed time of a few months</td>
</tr>
<tr>
<td><strong>- the Spatial dimension</strong></td>
<td>1) and 2): currently relate to schools, although PLASC data will enable data availability at individual level</td>
</tr>
<tr>
<td>3): data are postcoded</td>
<td></td>
</tr>
<tr>
<td><strong>- use of Classifications</strong></td>
<td>No more detailed classifications used – although age and gender of pupils, Free School Meals data, etc, are available</td>
</tr>
<tr>
<td><strong>Assessment</strong></td>
<td></td>
</tr>
<tr>
<td>technical assessment:</td>
<td></td>
</tr>
<tr>
<td>1) and 2): it will be possible to shift from school-based to pupil-based data if required</td>
<td></td>
</tr>
<tr>
<td><strong>Interpretation:</strong></td>
<td></td>
</tr>
<tr>
<td>1) and 2): qualification is being used here as a proxy measure of skill</td>
<td></td>
</tr>
<tr>
<td>3): assumes that staying on in education is the most appropriate route for all young people; (arguably employment with training may be more appropriate for some young people)</td>
<td></td>
</tr>
</tbody>
</table>

56 This target is of somewhat less direct relevance to the FRESA.
Leicester LSP

Overview
Performance indicators and targets are not comprehensive. Key actions largely centre on ‘to do’ prerequisite themes that form part of the strategic development process.

Policy themes
- Tackling deprivation to reduce the gap between better and worse off across both geographical areas and groups of people
- Educational opportunities for all, lifelong, resulting in excellent attainment and personal development
- Improving incomes and employment by developing local economies, skills and businesses

Areas of concern
- Need for children to have a better education and qualifications
- Need for decent jobs and training, using better co-ordination to match supply and demand factors
- Need for more action on poverty and the stress related to it
- Need to tackle low self esteem and aspirations for some communities

Performance indicators
Worklessness
- Employment rate
- Development of social enterprises
- Inward investment

Education
- Language and literacy
- Disaffected young people
- Skills and knowledge strategy

Lincoln LSP

Overview
Targets are broad, but it is stated that monitoring and evaluation will involve an annual Strategy review.

Policy themes
Worklessness: There is a need to grow the economy and target the structural barriers preventing people taking up job opportunities.

Education: In relation to floor targets school performance is not a major policy concern of LSP. Further analysis of school attendance and the inadequate level of basic skills are the top priorities.

Information base
Ward profiles have been developed based on:
- Areas of high unemployment, particularly long-term and amongst men
- High cost of privately rented homes
- Uneven access to non-traditional learning opportunities
- Poor access to financial services - targeting of poorer communities by loan sharks
- Expensive public transport infrastructure
- Uneven allocation of previous regeneration funding
- Combination of high levels of unemployment and ageing population reduces spending power of community and consequent impact on local services
- Limited local employment opportunities

Targets
Worklessness – overall target:
- to reduce unemployment by improving access to non-traditional learning opportunities and basic skills improvements

key milestones
- removing barriers preventing access to employment
- creation of employment opportunities by attracting inward investment
Education – overall target:
- improve access to training and lifelong learning and increase the proportion of young people accessing higher education

Key milestones:
- maintain upward KS2 and GCSE performance trend
- close gap between worst and best performing schools at KS2 and GCSE
- increase proportion of 18-25 year olds entering higher education, and narrow the gap between the national average
- compilation of Special needs Education data on requirements

Mansfield LSP
Overview
This is a comprehensive plan covering strategy development and implementation.

Vision
The strategy focuses on two key outcomes:
- Measurable improvements in crime reduction, health, skills, housing and physical environment
- Identifiable changes which reduce the gap between target neighbourhoods and the rest of the country.

Targets
Worklessness
- reduce unemployment rates in the most deprived areas
- reduce the number of lone parents on income support in the ten most deprived wards
- increase the participation in the workforce
- raise adult skill levels
- increase average weekly earnings

Education
Targets relate to achievement of school age children, and to attendance and exclusions.

Nottingham LSP
Overview
Whilst performance indicators and implementation structures are presented in the LNRS, along with extensive local data, no targets are stated.

Performance indicators
Worklessness - Levels of employment, unemployment/long term unemployment, secondary: number of jobs in the city
Education - Level 4 at key stage 2 – English, Level 4 at key stage 2 – Maths, 5+ passes (grades A-C) at GCSE, secondary: participation of 16-18 year olds in education, learning and training, adults’ literacy and numeracy skills

It is noted that not all NRF floor outcomes have been identified as indicators as there are problems in measuring some of these at ward level. These indicators will only tell part of the story, and it is important to evaluate progress on other outcomes which cannot be “counted” in the same way (e.g. social capital)

Conclusion
The LSPs are at various stages of development and there is a relatively large degree of variability in the extent to which targets have been developed. However, where indicators and targets exist, the emphasis is on the attainment of young people, increasing the employment rate, reducing the unemployment rate and addressing basic skills needs in the most deprived areas.

All LSPs are faced by a lack of data at the micro area level on trends. Indeed, it is not easy to measure all of the NRF floor targets at ward level.
M. Ufi - LEARNDIRECT

Introduction

Ufi Limited was created in 1998 to bring about the government’s vision of a ‘University for Industry’. Working as a public-private partnership in England57, Ufi aims to put individuals in a better position to get jobs, improve their career prospects and boost business competitiveness. Specifically, its mission is to work with partners to boost people’s employability, and organisations’ productivity and competitiveness by:

- inspiring existing learners to develop their skills further
- winning over new and excluded learners
- transforming the accessibility of learning in everyday life and work.58

Ufi and the Learning and Skills Council have closely related objectives – seeking to improve and increase learning in the post-16 population.

Organisation and delivery of services

Ufi’s learning services are delivered through learndirect, which comprises a network of learning centres and ‘hubs’59 that are co-ordinated through regional offices. 80 per cent of courses are provided online, making learndirect the largest publicly funded online learning service in the UK.

There are 204 learndirect centres in the East Midlands. Some are located on employers’ premises, some are in rural areas; others are in inner city areas. The learndirect centres are supposed to fill ‘gaps in provision’ – whether they are ‘geographic’ or ‘other’60 in nature. Hence, if there is local provision, there is not necessarily a need for learndirect to have a presence.61

Each hub develops a business plan and manages learndirect in the local area – in accordance with the LSC Strategic Plan and also the Ufi National Plan. Contextual data is used to inform the hub’s plan, so that provision is supposed to be relevant to the nature of the population – by age, ethnic group, etc).

Ufi allocates targets to regions. However, at sub-regional level there is a reasonable amount of autonomy, such that there is no automatic reason why the Ufi and local LSC targets should accord with each other.

Targets

Ufi targets reflect two main drivers:

- **widening participation** – including the Skills for Life programme is designed to deliver basic skills.
- **workforce development** – targeted at learners in SMEs.

Targets focus on ‘learner achievement’62, ‘value for money’ and ‘quality’ – as follows:

a) **Learner**63 **Achievement**

- Learners progressing to Level 2
- Skills for life test passes64

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57 Also in Wales and Northern Ireland.
59 There is a ‘hub’ in each local LSC area; (hence, there are 5 hubs in the East Midlands).
60 For example, a lack of provision for SMEs, etc.
61 This illustrates the importance of looking at learndirect in a broader context, including other provision.
62 The ‘Learner Achievement’ targets are of particular relevance from a FRESA perspective.
63 ‘Learners’ are counted rather than courses because some learners take a number of different courses.
64 It is notable from a social inclusion perspective that there is a significant ESOL element in some Skills for Life basic skills courses.
• Learner completions
• Learner completions – SMEs
• Learner completions – sectors
• Learner completions sub level 2
• Funded course uptakes – Skills for life
• Funded course uptakes -BAM
• Funded course uptakes – ICT
• Funded course uptakes – Total
• Unfunded course uptakes – Total
• Learner numbers
• Course uptakes in SMEs
• SMEs engaged

b) Value for money
• Funding usage
• SME full price activity

c) Quality
• Teacher qualifications (% of hub staff holding qualifications at level 3 or more)
• Inspection grades

Data

Progress towards targets is measured using in-house data from management information systems.
2.3 Synthesis: Overview and Assessment of Key Issues, Findings and Conclusions

2.3.1 Key findings and issues

A number of key findings and issues emerge from the mapping exercise:

1. The general emphasis on supply-side indicators, as opposed to demand-side indicators, was confirmed.

2. Qualification levels are widely used as a proxy for skill, although it is recognised that they provide only a partial measure.

3. National targets (including PSA targets) tend to be of primary importance, and scope for regional/local flexibility may be limited even for organisations operating at regional level. At local level, many organisations are likewise concerned with contributing to national and regional targets.

4. The priority of organisations is on meeting their targets. Not all of these targets are necessarily aligned with each other, or are central, or appropriate, to meeting FRESA aims.

5. Targets change over time. To some extent this is to be expected as new issues emerge and priorities change. However, the frequency of change can be such that the organisations feel that the ‘goalposts’ are shifting to an extent that has negative implications for their activities.

6. Many regional, and more especially local, organisations are relatively new (e.g. Sub Regional Strategic Partnerships and Local Strategic Partnerships) and so need time to ‘bed down’. Local target setting tends not to be an immediate priority.

7. In many instances the emphasis tends to be on priorities and associated activities, as opposed to identifying indicators and targets.

8. The emphasis tends to be on quantity of outputs (e.g. of job placements, jobs created, training undertaken, etc) as opposed to quality (e.g. jobs in higher level occupations).

9. There tends to be greater emphasis on the level of qualifications, rather than on the subject – and so whether they fit with labour market requirements in these terms.

10. For many organisations (e.g. Jobcentre Plus, IAG partnerships) indicators and targets place a particular emphasis on those who are ‘hardest to help’. This reflects concerns about social inclusion.

11. In general, indicators and targets tend to place a greater emphasis on younger people, and those outside the labour market, rather than on the majority who are in the workforce.

12. Many of the organisations have dealings with employers. However, with some exceptions (such as Business Link, Jobcentre Plus) there tends to be relatively little explicit emphasis on the quality or nature of engagement with employers.

13. The emphasis tends to be on meeting/matching employer needs – rather than on expanding/driving up employer requirements. Hence, arguably it could be said that while individuals are ‘exhorted’ to enhance their skill levels, employers are more likely to be ‘accommodated’.

14. The geographical basis on which partners operate differs – an example is provided by Sub Regional Partnership areas that do not necessarily align with other geographies in the East Midlands.

It is salient to note here that the National Audit Office has noted that targets set for RDAs do not always match Regional Economic Strategies, Government Public Service Agreements or the targets of RDA partners. (See National Audit Office [2003] Success in the Regions. London: The Stationery Office.)
15. Baselines, milestones and/or target dates for similar/the same indicators may differ between organisations (e.g. emda and the LSC for some indicators relating to skill levels).

16. Shortcomings in the timeliness of appropriate data for setting baselines, milestones and targets mean that they may relate to different timescales. Here the lack of timeliness of GVA data poses a particular problem.66

17. Some organisations (e.g. Jobcentre Plus, Business Link and Ufi) are heavily reliant on their own internal management information sources for deriving indicators and measuring progress towards targets.

18. Key data sources at regional level are the Labour Force Survey, the New Earnings Survey and Regional Accounts. The Labour Force Survey and New Earnings Survey are also important sources as sub-regional level, despite issues relating to sample size and sampling variability which may compromise the derivation of some desired indicators and the measurement of progress using such indicators.

19. There is an established and increasing demand for trend data at the micro and local area scales. Hence, LSPs are using benefit data and pupil attainment data as key sources.

20. In general, there is a relative lack of information presented on how indicators are constructed, and on precise specification of the source data (in terms of time periods used and specification of the population of interest). The Regional Competitiveness Indicators and State of the Region Indicators provide a model of ‘good practice’ in this respect.

2.3.2 Conclusions

A number of conclusions emerge from the mapping exercise which are of particular salience for formulation of recommendations on the appropriate indicators for use in a targeting framework to support the East Midlands FRESA.

a) The FRESA is about employment and skills. In order to meet FRESA objectives there needs to be a greater focus on retention and advancement in employment rather than on just getting people into work. The “any job will do” nature of some of the employment targets is not necessarily conducive to meeting FRESA objectives. Skills are difficult to measure, and hence this is where the main focus of attention in the FRESA lies. However, in some sub-regions and for some population sub-groups there remains scope for increasing employment rates. It is possible for regional targets to be met without taking account of intra-regional inequalities or the variation in experiences of different sub-groups of the population. Hence, there is an interest in ‘floor targets’ in recognition of the importance of social inclusion and concerns about regional (im)balance.

b) The results of the mapping exercise suggest that a partial view of skills and the realisation of a healthy labour market in the East Midlands is articulated by current organisational indicators and targets. There is much information about supply of qualified people but little about demand and the deployment of skills within the workplace. Interviews with a number of key players indicated that skills development and utilisation might need to be embedded into other strategies/projects if employers are to be engaged successfully in the FRESA mission. As such, there appears to be scope for better indicators about the quality and nature of support provided to employers. However, when developing indicators and setting targets it is important to remember that the FRESA mission is about a change in culture, and cultural change takes time. Hence, for FRESA the ‘journey’ is as important as the ‘destination’.

c) Differences in alignment in missions between partners and any lack of appropriateness of some organisational targets to the FRESA mission needs to be addressed in an explicit fashion amongst FRESA partners. As far as possible, FRESA targets should not be set ‘in isolation’ from pre-existing targets and associated indicators and should take account of the knowledge of the robustness of existing data sources (or data sources known to be under development and scheduled to be available in the short-term).

d) Despite the emphasis on evidence-based policy, the dynamism of the information base is such that new developments, revisions to data collection practices and new classifications may well offer the potential to develop new indicators, but also compromise the ability to generate trend data. At the local and micro area level, where concerns about robustness of data tends to be greatest, there is scope for use of ‘synthetic’ indicators for meeting requirements.

e) A key outstanding challenge is the identification of a suite of demand-side indicators as well as indicators that address the mismatch between demand and supply (i.e. hard-to-fill vacancies, skill shortage vacancies and skills gaps).67

67 Possible sources that could provide useful starting points for the derivation of demand-side indicators for demand side indicators are the National Employers Skill Survey 2003 and the East Midlands Life & Work Survey 2003. The former is an employer survey which will provide disaggregation to the local LSC area level (with potential for disaggregation to other geographical areas on the basis of postcodes). The latter is a household survey (coded by ward and postcode) designed to provide disaggregations to district level in the East Midlands providing information on attitudes to business start-up, broad and particular measures of skill demand and utilisation of key skills, the use of ICT at work, and participation in training and learning.
PART 3: RECOMMENDATIONS

3.1 Context

3.1.1 Introduction

The purpose of this report is to present recommendations for indicators for use in the targetry framework for the FRESA.

The context for these recommendations is provided by:

- the background to the production of FRESAs (section 1.2.1) and to the East Midlands FRESA in particular (part A of Section 2.2)\(^{68}\);
- the concept of a ‘healthy labour market’ (section 1.2.2); and
- the synthesis of key issues, findings and conclusions from the mapping exercise (Section 2.3).

As context for the recommendations presented in Section 3.2, it is appropriate also to consider as context the ‘success factors’ identified in the East Midlands FRESA (see section 3.12) and also the DTI ‘Measures for Success’ project (see section 3.1.3).

3.1.2 The East Midlands FRESA ‘Success Factors’

The East Midlands FRESA identifies eleven ‘indicators’\(^{69}\) (see below) for a healthy labour market. These healthy labour market indicators can be thought of as ‘success factors’. In Section 3.2 candidate indicators for the East Midlands FRESA targeting framework are identified under each of these eleven ‘success factors’ in an attempt to capture the nature and thrust of FRESA activities.

<p>| | |</p>
<table>
<thead>
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<tbody>
<tr>
<td>1</td>
<td>the range of quality job offers that exist</td>
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<td>2</td>
<td>the skills of the people in the region</td>
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<tr>
<td>3</td>
<td>the degree of match between the skills of individuals and the employment opportunities across the region</td>
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<td>4</td>
<td>active movement in the market as people move up and across, as well as in and out of the labour market</td>
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<td>5</td>
<td>the ability of suppliers to forecast, identify and meet the skill needs of customers (individuals and businesses) through accessible learning opportunities; (this includes advice and information for employers)</td>
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<tr>
<td>6</td>
<td>organisations that recognise the value of investing in the development of a flexible multi-skilled workforce in relation to business performance and competitiveness</td>
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<tr>
<td>7</td>
<td>businesses can acquire the right skills they need to ensure survival, maintenance and growth</td>
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<tr>
<td>8</td>
<td>individuals that are aspirational and view learning as an asset that will increase their employability, earnings potential and quality of life</td>
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<td>9</td>
<td>a balance between supply and demand to create the right skill mix to meet the region’s needs in moving forward</td>
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<tr>
<td>10</td>
<td>a funding process that creates a flexible and demand-led system of learning provision, that maximises the responsiveness of the supply side and eliminates inappropriate provision and at the same time recognises its social responsibilities</td>
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<tr>
<td>11</td>
<td>a supportive infrastructure that enables effective participation in the workforce through accessible and affordable childcare provision, effective disability support, and facilitates employment opportunity through housing and transport provision</td>
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\(^{68}\) The fourteen these supply-side targets outlined in that section provide an indication of possible candidate indicators for use in the targetry framework.

\(^{69}\) This is the terminology used in the East Midlands FRESA.
3.1.3 The DTI ‘Measures for Success’ project

During 2003 work was undertaken at the DTI on ‘measures for success’ in the skills system. Rather than using as a starting point the current targets in existence and taking account of the availability of data to measure indicators and targets, the DTI project commenced by building a system model with trees and possible targets. The aim of the exercise was to identify key ‘drivers’ within the skills system, and hence to identify elements which it is useful to measure. (At the end of the exercise Government and agency targets fitting into the model were identified.)

The ‘measures for success’ work identified as a key overarching objective:

“To raise productivity and social inclusion by getting more people into higher quality jobs with higher skills effectively deployed by business”

and three further objectives – all of which are related to the extent to which effective business demand for skilled staff is at least met:

1) effectiveness of skills supply in the labour force
2) efficiency of the labour market
3) employers’ effective demand for (=utilisation) skilled staff

Key drivers associated with these (and other) objectives that were identified in the ‘measures for success’ work are listed below:

<table>
<thead>
<tr>
<th>Objective</th>
<th>Drivers</th>
</tr>
</thead>
</table>
| **Key objective 1:** effectiveness of skills supply in the labour force | ➢ appropriateness of skills acquired  
♦ managers’ understanding of skill needs to meet business objectives  
♦ amount of business-relevant informal learning  
♦ quality of signalling of employment skill needs  
♦ match of (internal/external) training content with current skill needs  
◊ match of (internal/external) training content with current business needs  
◊ effectiveness of qualification system  
◊ employers organising formal training  |
| **Key objective 2:** efficiency of the labour market | ➢ mobility of labour  
♦ effectiveness of qualification system  
♦ uptake of qualifications  
♦ managers’ understanding of skill needs to meet business objectives  
◊ total amount of training happening  |
| | ➢ precision of matching of skill requirements with job applicants  
♦ skills deficiencies  
➢ quality of signalling of employer skill needs  
♦ managers understanding of skill needs to meet business objectives |

70 From Final system model with trees and possible targets (James Foster, DTI, 7th August 2003).
<table>
<thead>
<tr>
<th>Objective</th>
<th>Drivers</th>
</tr>
</thead>
</table>
| **Key objective 3:** employers’ effective demand for (utilisation) skilled staff | ➢ growth ambition  
  ➢ level of innovation  
    ◦ quality of management  
    ◦ skills deficiency  
    ◦ skill level of workforce  
  ➢ quality of management  
    ◦ application of advanced management methods  
    ◦ managers’ understanding of skills needs to meet business objectives |
| Other objectives – concerning gaps in UK-Ltd desired employment and skills levels | • actual employment  
  • employment rate  
  • level of sustained employment  
  • latent skills gap |

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Drivers mentioned under other objectives are excluded.
3.2 Appropriate Indicators for Use in the East Midlands FRESA Targetry Framework

3.2.1 Organising framework for identifying and assessing candidate indicators

At the outset, it is important to distinguish between outputs and outcomes. Outputs represent performance measures for individual activities undertaken under the auspices of the FRESA Forum. Regional outcomes represent top-line indicators that, taken as a whole, measure progress towards the FRESA vision of a ‘healthy labour market’. Outputs will change on an annual basis as the work programme of the FRESA evolves. Outcomes should be consistent and measured over the long-term.

The focus in this section of the report is on the measurement of regional outcomes that relate to the vision of a ‘healthy labour market’ articulated in the FRESA. Part 2 of the East Midlands FRESA Targets Project has mapped existing targets and data sources with a view to identifying a basket of indicators that could encapsulate and measure progress towards this vision. It should be noted that not all of the characteristics of a ‘healthy labour market’ articulated by the FRESA are amenable to quantification and therefore measurable.

The targetry framework outlined below should be viewed as an integrated whole. Individual measures have strengths and weaknesses relating both to their definition and the availability of data (as outlined in section 2.1.2). The prime concern here is with the veracity of the portrait of the East Midlands labour market presented by the framework in its entirety.

The proposed targetry framework outlined in this section is consistent with the principles outlined in “Choosing The Right Fabric: A Framework for Performance Information” published jointly by HM Treasury, Cabinet Office, National Audit Office, Audit Commission and the Office for National Statistics (March 2001). It builds on the employment, learning and skills strand of the Regional Economic Strategy Tier 2 Targets to provide a more rounded portrait of the East Midlands labour market that is tailored to meet the requirements of the FRESA.

The eleven indicators for a healthy labour market (termed ‘success factors’ in section 3.1.2) have been used as the starting point for the identification of candidate indicators. Taking each of the healthy labour market indicators (‘success factors’) in turn, the discussion in section 3.2.3 is organised as follows:

A. **Interpretation**: outline of the concepts/ideas the ‘success factor’ is intended to capture.

B. **Suggested indicators**: identification of possible indicators – drawing on:
   - the indicators highlighted in the mapping exercise; and
   - knowledge of other indicators / data sources.
   Data sources for the operationalisation of suggested indicators are identified and other measurement issues are discussed.
   (Note that:
   a) for some ‘success factors’ more suggested indicators are identifiable than for others; and
   b) not all of the suggested indicators identified are ‘recommended’ as core indicators in section 3.2.4.)

C. **Assessment of coverage**: a brief discussion of how well / badly concepts in ‘A’ are covered by the suggested indicators in ‘B’, together with comments on any key gaps remaining.
3.2.2 General observations on the construction of indicators and the setting of targets

The operationalisation of indicators is obviously constrained by data availability (as highlighted in section 3.2.1). However, in constructing indicators and setting FRESA targets a number of general principles may be identified:

1) as far as possible, it is helpful to consider the position of the East Midlands vis-à-vis:
   - a national comparator (England, Great Britain or the UK); or
   - the ‘leading’ region (on that indicator).\(^{72}\)

2) in setting a target it is useful to consider the recent time trend on the indicator in question\(^{73}\) – and it is necessary to be able to derive future ‘observations’ on that indicator on a comparable basis to current and previous observations in order to measure progress towards the target(s) in question;

3) from a social inclusion perspective, as far as possible the intra-regional and sub-group variation on a particular indicator should be taken into account – by means of ratio indicators, the use of ‘floor targets’ to establish minimum levels, etc.

These general principles suggest that the ‘ideal’ data sources\(^{74}\) are:

- available for other regions as well as for the East Midlands;\(^{75}\)
- are available at the sub-regional scale as well as at the regional level;
- can be disaggregated to measure the circumstances of different population sub-groups.

3.2.3 Identification and review of candidate indicators

In this section candidate indicators for each of the ‘success factors’ are identified and reviewed using the organising framework identified in section 3.2.1.

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\(^{72}\) The ‘England / Great Britain / UK average might be regarded as ‘an aspiration to mediocrity’ whereas taking the UK’s leading region – defined with reference to a particular indicator - might prove to be more of a driving force.

\(^{73}\) Hence, as far as possible time series data should be used.

\(^{74}\) As noted in section 3.2.1, many data sources fall far short of this ‘ideal’.

\(^{75}\) This suggests that, in general, where information is available from a ‘national’ source (such as the Labour Force Survey) it will be preferred to the same data available from a ‘regional only’ source (such as the East Midlands Life and Work Survey). However, there are also issues of sample size, spatial disaggregation, etc, to be borne in mind.
Factor 1: The range of QUALITY JOB OFFERS that exist

A. Interpretation

Some further amplification of this ‘indicator’ is provided in the FRESA document:

“Improvements in the range and quality of job offers is the link between better skilled individuals and higher wages. It will also help reduce the proportion of jobs that require only low level of basic skills.”

The emphasis here is on ‘quality’ job offers – but no definition is provided of ‘quality’. However, it is possible to ascribe several different attributes to a ‘quality job offer’ – focusing on the intrinsic value of jobs):

- ‘good’ pay – measured in terms of earnings; (with high earnings being interpreted as ‘desirable’);
- ‘good’ terms and conditions – in terms of the wider benefits package, hours of working, conditions at the workplace, etc;
- potential for / provision of opportunities for training and development – a ‘quality job offer’ may be thought of as one offering the individual opportunities for personal development (in terms of expansion of, and utilisation of, skills) and promotion (and here there is likely to be a link to higher pay);
- personal and professional fulfilment – at an individual level a ‘quality job offer’ can be viewed as one that provides an individual with fulfilment in career/job terms and with respect to their wider work-life balance desires/requirements; (hence, there is an important link here to the link between the nature of available jobs and the aspirations of the labour supply);
- it could be argued that from the perspective of moving from a ‘low skill equilibrium’ to a ‘high skill equilibrium’ (see further discussion below) a highly qualified job is ‘quality’ job.

The use of the term ‘range’ in “the range of quality job offers that exist” introduces the notions of volume and variety of jobs available. A high ‘volume’ of jobs is likely to, but need not necessarily, encompass a wider ‘range’ of jobs. The larger the ‘volume’ and the ‘wider the range’ of jobs available, the more likely it may be for an individual to find a ‘match’ in terms of finding the balance desired in terms of a fulfilling job that meets their work-life balance aspirations. From a social inclusion perspective the notion of ‘range’ is important in terms of there being jobs available for people with different skills levels – i.e. the notion of ‘opportunities for all’ is important. Hence, a ‘high skill economy’ might be a ‘polarised’ economy with high levels of non-participation/non-employment because only those individuals with high level skills can fill the jobs available. (The spatial dimension is important here too, in terms of the ‘range of quality job offers’ available to people in different locations).

From an employer/business perspective, the ‘range of quality job offers’ can be interpreted more indirectly in terms of how well job ‘roles’ meet the needs of the business. There is also a more ‘macro’ level issue in terms of the extent to which the totality of ‘job offers’ available across the region as a whole ‘fit’ with the FRESA aspirations of movement from a ‘low skill equilibrium’ to a ‘high skill equilibrium’. This is akin to movement from the lower left-hand quadrant to the top right-hand quadrant in the figure below.

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76 Note that ‘aspirations’ are likely to differ in detail between individuals, but the thrust of the FRESA is about raising ‘aspirations’.

77 This notion could also be extended to ‘opportunities for all’ in ‘all areas’.

78 For example, if there is a wide range of jobs available in Nottingham this might be a ‘good thing’ for the people of Nottingham and for the Nottingham economy, but this does not necessarily help satisfy the aspirations of people on the Lincolnshire coast trying to utilise high levels skills / increase their earnings.

79 There is a link here with notions of ‘skill gaps’ and ‘latent skill gaps’.
The relationship between employer demand and skills availability

<table>
<thead>
<tr>
<th>Employer Demand</th>
<th>Skills Shortage Imbalance - mismatch caused by companies demanding higher qualifications than are available in the local workforce</th>
<th>High Skill Equilibrium – a local / regional economy with a strong demand for high level skills which has a positive effect throughout the supply chain on enhancing the aspirations and actions of individuals with respect to participation in education and training</th>
<th>Low Skill Equilibrium – employers few skill shortages in a predominantly low skilled workforce, where there is no incentive to participate in education and training and raise qualification levels and aspirations</th>
<th>Skills Surplus Imbalance – mismatch caused by a workforce which cannot find local employment to match their skills and aspirations</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
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<tr>
<td>Low</td>
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B. Suggested indicators

1) Gross hourly earnings
   (source: NES, but restricted to full-time employees due to data limitations – measured at regional level and at local level)
   This indicator is suitable for specification of floor targets – expressed in terms of sub-regional disparities in average earnings and in terms of the ratio of the top decile to the bottom decile of the earnings distribution – for example:
   - ratio of gross hourly earnings in the East Midlands : England (excluding London)\(^80\)
   - ratio of gross hourly earnings in the East Midlands lowest ranked local LSC area : highest ranked local LSC area
   - ratio of top decile : bottom decile of the East Midlands hourly earnings distribution.

2) Employment rate for adults of working age (or aged 25-59 years)\(^82\)
   (source: LFS – measured at regional and local LSC area / SSP area levels)
   Again, this indicator is suitable for specification of floor targets – expressed in terms of sub-regional disparities – for example:
   - ratio of employment rate for adults of working age in the East Midlands lowest ranked local LSC area (or SSP area) : highest ranked local LSC area (or SSP area)

3) Employment rates for adults by qualification level\(^83\)
   (source: LFS – regional level\(^84\))

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\(^{80}\) There is a case for excluding London from consideration here due to the steep gradient in earnings from London to the Rest of England. This reflects the fact that earnings levels in London are distorted by earnings in those ‘World City’ functions in London to which the East Midlands cannot reasonably aspire.

\(^{81}\) Other sub-regional units could be substituted for local LSC areas, but sample size considerations need to be borne in mind.

\(^{82}\) There is a case for placing restrictions at either end of the age range so as to exclude those people at the younger end of the age range who might be participating in full-time education (something that might well be encouraged in a ‘high skill economy’) and also at the older end of the age range (to exclude some early retirees).

\(^{83}\) There might be a case for introducing a qualification sub-group dimension here in order to gain an insight into the ‘range’ of employment opportunities. (Note that we know from other research that spatial variations in employment rates for those with no/low level qualifications are more marked than for those with high level qualifications, and that this is linked to the degree of demand deficiency in the local/regional labour market. Hence, there is an interest here in measuring the circumstances of people with specified qualification levels in the East Midlands vis-à-vis the highest performing region.)

\(^{84}\) Sample size constraints place limitations on the feasibility of constructing such indicators at sub-regional scales.
4) **Jobs ratio** (i.e. number of jobs per working age resident)\(^85\)
   (source: 2001 Census of Population for micro area level statistics, job ratio statistics via Nomis)

5) **Percentage of total employment in different SOC Major Groups**\(^86\)
   (source: LFS – measured at local LSC area / SSP area level)
   In accordance with the general principles outlined in B2, this indicator could usefully be measured in such a way that the East Midlands position is considered vis-à-vis that of a ‘leading region’ – for example:
   - ratio of percentage of total employment in SOC Major Groups 1-3 in the East Midlands : highest ranked region (excluding London)\(^87\)

6) **Percentage of total employment in K1, K2, K3 and K4 sectors**\(^88\)
   (source: LFS – measured at local LSC area / SSP area level)
   In accordance with the general principles outlined in B2, this indicator could usefully be measured in such a way that the East Midlands position is considered vis-à-vis that of a ‘leading region’ – for example:
   - ratio of percentage of total employment in K1 and K2 sectors in the East Midlands : highest ranked region (excluding London)\(^89\)

7) **% of people in part-time jobs not working in part-time jobs through choice**
   (source: LFS)

8) **% of people in employment who are either ‘very satisfied’ or ‘fairly satisfied’ in their current job**\(^90\)
   (source: East Midlands Life and Work Survey)

9) **Under-employment**\(^91\)
   (source: East Midlands Life and Work Survey)

C. **Assessment of coverage**

It is difficult to find indicators of ‘fulfilment’. Some measure of ‘job satisfaction’ might be appropriate, but research shows that satisfaction tends to be higher amongst the lower than the higher paid – which is counter to the thrust of the FRESA to move from a ‘low skill equilibrium’ to a ‘high skill equilibrium’. However, the FRESA concern with ‘raising aspirations’ should mean that individuals become more demanding, and hence we might want/expect job satisfaction to decline.

Terms and conditions other than pay are not well covered, but it seems likely that ‘earnings’ is the key issue here.

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\(^85\) Note that this is an indicator of ‘quantity’ only – no account is taken of ‘quality’.

\(^86\) This is a ‘contextual’ indicator measuring the ‘spread’ / ‘range’ of employment at local area level. To overcome sample size constraints it may be necessary to aggregate SOC Major Groups – e.g. the percentage share of total employment in high level occupations (SOC Major Groups 1-3).

\(^87\) There is a case for excluding London from consideration here due to its distinctive occupational structure – relating, in particular to the presence of the City of London.

\(^88\) These are ‘contextual’ indicators measuring the ‘spread’ / ‘range’ of employment at regional level according to the knowledge intensity of different industries as measured in the Regional Economic Architecture model. (See Hepworth M. and Spencer G. (2003) A Regional Perspective on the Knowledge Economy in Great Britain, Report for the DTI from the Local Futures Group, London.)

\(^89\) There is a case for excluding London from consideration here due to its distinctive occupational and industrial structure – relating, in particular to the presence of the City of London and the concentration of headquarters functions in the capital.

\(^90\) Note that the FRESA target of ‘raising aspirations’ may be linked to increased dis-satisfaction. Indeed, research shows that low paid workers appear to be more satisfied with their jobs than higher paid workers – see Leontaridi R. and Sloane P. (2003) Lower pay, higher pay: earnings mobility and job satisfaction, University of Essex: ISER. 

\(^91\) An indicator measuring the extent to which skills are utilised in terms of current employment – see also ‘success factor 4’.
Factor 2: The SKILLS OF PEOPLE in the region

A. Interpretation

A healthy labour market is predicated on good skills supply. Typically, qualification is used as a proxy measure of skill, and the qualification profile of the workforce is examined to see how the skills supply is changing over time.\(^{92}\) While statistics on qualification levels are readily available, it is more difficult to gauge from available statistics details of the subjects in which people are becoming qualified. This has implications for some sectors of the economy where employers report a shortage of people with the qualifications necessary to meet the needs of the organisation (e.g. science and technology qualifications).

A key concern of skills policy is to improve the basic skills of individuals.\(^{93}\) Ideally, a measure is required of the number of people who have problems with basic skills, and from that, a calculation of how many have had them improved in the last 12 months. While data are available to estimate the numbers of people experiencing problems with basic skills, measuring ‘improvement’ presents more of a challenge with available data sources.

Government funded training programmes provide a further source of skill supply – for example, Foundation and Advanced Modern Apprenticeships represent possibly the most important work-based skills supply programme relating to young people. When examining such programmes, it is important to measure completion as well as participation.

Looking more generally at training activity, information is available about the number of people who have received training over specified periods. However, as well as participation in training activity, the nature, intensity and time spent on such training activities are also important indicators, but are less easily measured than participation.

Employers play a crucial role in the supply of skills, since they constitute one of the principal suppliers of training and workforce development more generally (see the discussion of factor ‘6’ for consideration of such indicators\(^{94}\)).

B. Suggested indicators

1) Percentage of adults of working age with different qualification levels\(^{95}\)
   (source: LFS – measured at regional, local LSC area and SSP area levels)\(^{96}\)
   In accordance with the general principles outlined in B2, this indicator could usefully be measured in such a way that the East Midlands position is considered vis-à-vis that of a ‘leading region’ – for example:
   - ratio of percentage of total working age population with specified qualification levels\(^{97}\) in the East Midlands : highest ranked region

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\(^{92}\) It should be noted that a trend is apparent towards greater certification of skills over time. Hence, younger people are more likely to have their skills certified by qualifications than older people are.

\(^{93}\) Currently there are two inter-related Government targets relating to improvement of basic and low level skills:
   - to improve the basic skills levels of 1.5 million adults between 2001 and 2007, with a milestone of 750,000 by 2004; and
   - to reduce by at least 40 per cent the number of adults in the workforce who lack NVQ 2 or equivalent qualifications by 2010, with one million adults to achieve this level between 2003 and 2006.

\(^{94}\) Indicators relating to employers’ training activity are not considered here.

\(^{95}\) This indicator should also be measured over time as the temporal trend (and ‘direction of change’) is important, so indicating the extent to which, and how, the supply of skills (as measured by the qualification base) is changing over time.

\(^{96}\) Note that it is also possible to disaggregate this indicator by population sub-group (e.g. by age, gender, etc).
2) **percentage of working age adults experiencing problems with literacy and numeracy**
   (source: East Midlands Life and Work Survey – measured at regional, local LSC area and SSP area levels; Basic Skills Agency estimates – for measurement at micro area level)

3) **percentage point change in the proportion of adults of working age lacking NVQ 2 or equivalent qualifications**
   (source: LFS measured at regional, local LSC area and SSP area levels, and with respect to the England average)

4) **take-up rate of Modern Apprenticeships**
   (source: LSC administrative data – measured at local LSC and regional level)

5) **completion rate of young people engaged in Modern Apprenticeships**
   (source: LSC administrative data – measured at local LSC and regional level)

6) **percentage of individuals in employment participating in training in the last 13 weeks**
   (source: LFS measured at regional level and with potential for disaggregation by specific sub-groups of interest [e.g. in different occupational groups, sectors, etc])

7) **participation rate in post-16 full-time education and training**
   (source: DfES, Connexions – measured at regional and local LSC area level)

C. **Assessment of coverage**

A variety of indicators of skills supply are available. However, the indicators tend to focus on skills as measured by formal qualifications, as opposed to personal attributes and qualities by which employers also place great store. Hence, the suggested indicators identified provide only a partial picture.

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97 Based on NVQ levels and equivalents – e.g. NVQ levels 4 and 5, NVQ level 3, NVQ level 2, NVQ level 1, no qualifications.

98 This indicator should also be measured over time as the temporal trend (and ‘direction of change’) is important, so indicating the extent to which, and how, the supply of skills (as measured by the qualification base) is changing over time.

99 This indicator presents a challenge in operationalisation since a measure of the ‘target population’ for Modern Apprenticeships is needed. Simply taking the denominator as all young people aged 16-24 will be misleading because a low take may reflect a relatively high take up of higher education in the region amongst this population group.

100 This is an indicator of investment in skills by young people.
Factor 3: The **DEGREE OF MATCH** between the skills of individuals and the employment opportunities across the region

A. Interpretation

The degree of (mis)match in the labour market can be measured in a number of different ways:

a) using **relative wage levels** (by occupation) - insofar as a shortage of labour with scarce skills may be expected to drive up wage rates
   (Trends in occupational wage differentials can be used to assess demand relative to supply for particular skills. A widening of wage differentials may indicate that demand for certain skills is growing faster than available supply.)

b) by unfilled vacancies measured by **hard-to-fill vacancies (HtFVs)** and **skill-shortage related vacancies (SSVs)**
   (Evidence of mismatch is typically collected from employer surveys. Where evidence is presented about the existence of SSVs this is based on employers’ reports. However, case study evidence suggests that SSVs can result more from an unwillingness to pay the going rate for skills rather than there being an absolute shortage of skills in the workforce. Hence interpretation of such indicators is not straightforward. In looking at skill mismatches it is also desirable to identify those skills that are particularly difficult to obtain. Occupation provides a proxy for this and the density rates of HtFVs and SSVs by occupation are readily available from employer surveys. Information is also available about the specific types of skill need that give rise to SSVs and HtFVs [such as management skills, IT skills, literacy/numeracy, etc] that are a particular concern of the FRESA.)

c) by **skill gaps** within the existing workforce
   (Caution also needs to be exercised here. Detailed statistical analysis reveals that skill gaps are non-linearly related to business performance. Organisations that have recorded sales/employment decline often report a relatively high rate of skill gaps because they have lost many of their best employees. Similarly, firms experiencing growth and/or have challenging product market strategies also record a high rate of skill gaps. This suggests that analysis of skill gaps ought to be addressed with respect to the performance of different sectors of the regional economy [e.g. high growth versus declining sectors].)

d) evidence of the extent to which the skills individuals possess are utilised
   (The Skills Survey and the East Midlands Life and Work Survey capture information about the skills employees possess and those that they use in the current job. To date, analysis of such data has indicated that there is a large volume of jobs filled by people whose skills/qualifications exceed those used in their current job.)

B. Suggested indicators

In general, for these indicators it can prove useful to provide indicators for sectors of interest e.g. high employment or output growth versus employment/output decline. In this way, an indication is provided about the extent to which the skills base of the regional economy is serving those sectors on which it might become increasingly dependent on over the medium-term.

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101 Such as the National Employers Skill Survey (NESS) and its predecessors the Employer Skill Surveys (ESS) and the Skill Needs in Britain Survey (SNiB).
102 Defined as the percentage of the workforce lacking full proficiency in their current job.
103 Funded by DfES.
104 Neither the Skill Survey nor the East Midlands Life and Work Survey provide frequent time series data. The former has particular limitations from a time series perspective, displaying a 5-year ‘gap’ between 1997 and 2002.
105 Such data provide the employee’s perspective of skills supplied by the employer and skills actually required by the employer
106 This is the situation portrayed by the ‘skills surplus imbalance’ illustrated in the bottom right-hand quadrant in the Figure entitled ‘The relationship between employer demand and skills availability’.
1) **relativities in wage levels by occupation** \(^{107}\)  
   (source: New Earnings Survey – measured at regional level)  

2) **density of hard-to-fill vacancies** \(^{108}\)  
   (source: ESS, \(^{109}\) NESS, \(^{110}\) SNIB – a time series measured at regional level and with respect to the ‘leading’ region)  

3) **density of skill-shortage vacancies**  
   (source: ESS, NESS, SNIB – a time series measured at regional level and with respect to the ‘leading’ region)  

4) **percentage of organisations reporting skill gaps (disaggregated by specific occupational groups)**  
   (source: ESS, NESS, SNIB – a time series measured at regional level)  

5) **over-supply of skills** \(^{111}\)  
   (source: Skills Survey and East Midlands Life and Work Survey – measured at regional level and operationalised for specific skills levels)  

From a regional perspective, the indicators above can be compared for those for the UK as a whole to give an indication of the extent to which skills mismatches are a specifically regional problem or simply a local manifestation of a national problem.

**C. Assessment of coverage**

Note that there are considerable overlaps between factor ‘2’ and factor ‘9’ (the ‘right skill mix) and factor ‘7’ (‘the right skills’).

The indicators identified together provide a reasonable picture of the ‘degree of match’. However, sample size constraints constrain the extent to which indicators can be disaggregated by occupation (or on other dimension) whilst maintaining data robustness.

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\(^{107}\) Ideally this would be measured at least at SOC Sub-Major Group level. The average wage level across all occupations could be set to an index value = 100. Then changing wage levels for particular occupations would be measured relative to 100 (i.e. the regional average) in all years. However, sample size constraints need to be borne in mind – especially since the objective is to distinguish ‘real change’ (rather than confuse the picture with change attributable to sampling variation).  

\(^{108}\) Note that SMEs tend to produce a high level of hard-to-fill vacancies.  

\(^{109}\) Employers Skill Survey.  

\(^{110}\) National Employers Skill Survey.  

\(^{111}\) Over-supply indicators measure the extent to which skills (as measured by qualifications) supplied by employees are utilised by them in their jobs. Such indicators may be operationalised as follows:  
   - ‘demand’ measure: the number of people employed multiplied by the proportion of employees who reported that they required that qualification to get their job  
   - ‘supply’ measure: the number of people who reported possessing a qualification (at a specified level)  
   - ‘over supply’: ‘supply’ measure minus ‘demand’ measure
Factor 4: ACTIVE MOVEMENT in the market as people move up and across, as well as in and out of the market

A. Interpretation

This indicator is about labour market ‘mobility’:
- within the labour market – with an emphasis on ‘upward’ mobility (to utilise enhanced skills) and ‘horizontal’ mobility (to broaden skills)
- into and out of the labour market – in accordance with work-life balance / job ‘break’ requirements / aspirations.

The term ‘active movement’ suggests ‘pro-action’ rather than ‘re-action’. In this respect, it is possible to conceptualise:
- ‘positive churn’ (a result of individuals seeking out employment opportunities / businesses looking out for suitable opportunities to develop / enhance / more effectively utilise their skills); and
- ‘negative churn’ (a result of individuals moving within and out of the labour market involuntarily).

(In practice, however, using available information sources, it is usually difficult to operationalise such a distinction.)

There is a key issue here in terms of what constitutes an ‘ideal’ or ‘healthy’ level of labour market turnover. In general, ‘movement’ is greater in a buoyant than in a depressed labour market. ‘Too little’ turnover may mean that there are fewer job openings for new entrants / returners to the labour market and fewer possibilities for advancement for those already in the labour market. It may also mean that ideas / expertise are not transferred between businesses through labour mobility.112 ‘Too much’ turnover poses a cost burden on employers in terms of costs of recruiting new staff and provision of services / production of goods, and can be detrimental to the ‘quality of life’ in the area as a whole.113 It can also impose costs on the individuals who cannot achieve ‘sustainable employment’.114 Hence, it is very difficult to interpret many ‘churn’ statistics.115 Indicators such as ‘long-term unemployment’ are more easily interpreted; (as constituting a ‘bad’ thing).

From the FRESA perspective, what is important is that individuals are utilising their skills and that upward movement is facilitated so as to open up ‘ports of entry’ at the lower end of the labour market to accommodate individuals with lower level skills. It is also important that individuals are given, and are taking, the opportunities afforded by lifelong learning, in order to enhance opportunities for active movement.

‘Active movement’ in the labour market could also be interpreted to encompass business generation / birth rates – with a high level of business formation generally being interpreted as a ‘good’ thing.116

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112 Note that the innovation literature suggests that labour mobility of the highly qualified between businesses can be beneficial for local/regional economic development.
113 Particularly with respect to provision of public services – which in turn may have consequences for the ‘attractiveness’ of a local area to businesses / individuals.
114 Note that in New Deal policies and in Jobcentre Plus targets there is a ‘sustainability’ indicator of ‘remaining in employment’ for a certain period of time.
115 A ‘healthy’ level of ‘churn’ may be very close to an ‘unhealthy’ level of churn. Moreover, what constitutes a ‘healthy’ level of ‘churn’ may be different for different occupational groups / different types of business. For example, one business might ‘require’ high levels of ‘churn’ to meet with seasonal fluctuations in production – such that a high level of ‘numerical flexibility’ is desirable. Conversely, other businesses may require ‘settled’ individuals / teams in order to satisfy business objectives.
116 However, it should be noted that some businesses might be formed by those made redundant as a ‘last resort’.
B. Suggested indicators

1) **recruitment rate** \(^{117}\)
   (source: National Employers Skills Survey)

2) **exit rate** \(^{118}\)
   (source: National Employers Skills Survey)

3) **turnover rate** \(^{119}\)
   (source: National Employers Skills Survey) \(^{120}\)

4) **% adults entering and leaving the labour force in the last three months** \(^{121}\)
   (source: LFS – measured at regional level)

5) **% job movers in the last year moving into a different SOC Major Group** \(^{122}\)
   (source: LFS – measured at regional level)

6) **long-term unemployment rate** \(^{123}\)
   (source: claimant statistics via Nomis \(^{124}\) – measured at regional and sub-regional levels)

7) **share of temporary / fixed term contracts in total employment** \(^{125}\)
   (source: LFS – measured at regional level)

8) **% adults of working age involved in learning currently or in the last 12 months** \(^{126}\)
   (source: East Midlands Life and Work Survey – measured at regional and local authority local LSC area levels)

9) **% of individuals currently in employment for which they assess the job qualifications needed to do their job are lower than the skills they possess** \(^{127}\)
   (source: East Midlands Life and Work Survey – measured at regional and local levels)

10) **business generation** – there are a range of possible indicators here (relating to business birth rates, survival rates, etc) \(^{128}\)
    (source: VAT registration statistics)

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\(^{117}\) This is operationalised as:
\[ \frac{\text{number of recruits in last year}}{\text{employment one year ago}} \times 100 \]

\(^{118}\) This is operationalised as:
\[ \frac{\text{number of leavers in last year}}{\text{employment one year ago}} \times 100 \]

\(^{119}\) This is operationalised as:
\[ \frac{(\text{number of recruits in the last year} + \text{number of leavers in the last year})}{(\text{current employment} \times 2)} \times 100 \]

\(^{120}\) However, as noted in ‘A’, interpretation is not straightforward.

\(^{121}\) A comparison of recruitment rates, exit rates and labour turnover by region might raise interesting questions about employers’ recruitment and retention rates.

\(^{122}\) The LFS contains information on economic position (three broad categories are identifiable: [1] employed, [2] unemployed, [3] inactive) at the current time and at a previous date. This information can be used to calculate the number of individuals entering and leaving the labour force (i.e. moving between ‘activity’ and ‘inactivity’) over a specified period. However, as noted in ‘A’, interpretation is not straightforward.

\(^{123}\) This indicator could be derived from comparing the SOC Major Group ‘before’ and ‘after’ a job change for those individuals who are recorded in the LFS as having changed their job in the last year. In crude terms, skill levels could be ascribed to SOC Major Groups to determine ‘upward’, ‘downward’ or ‘horizontal’ job mobility. However, in practice, interpretation could be rather difficult and indirect.

\(^{124}\) This could be defined as the percentage of the economically active or of the working age population unemployed for at least 6 months or at least 12 months.

\(^{125}\) The LFS is a possible source, but there are sample size constraints for small groups.

\(^{126}\) Note that this indicator is not one that is conducive for ‘target setting’. It could be better interpreted as a ‘contextual’ indicator.

\(^{127}\) Measuring engagement in learning – which might be expected to facilitate ‘active movement’.

\(^{128}\) This indicator represents an attempt to capture utilisation of skills in current jobs and so to get a measure of ‘under-employment’, and potential (in terms of individual skill levels) for upward movement. Note that it covers an ‘individual’ view only. Perhaps it would be useful to measure this indicator alongside employers’ perspectives on skill gaps.

\(^{129}\) Note that only businesses passing the VAT threshold are counted.
11) \% adults of working age who are considering starting their own business in the next twelve months\footnote{129}

(source: East Midlands Life and Work Survey)

C. Assessment of coverage

A key problem here is with ‘interpretation’ of indicators – i.e. ‘what constitutes a ‘healthy’ level of ‘active movement’ rather than necessarily with specifying indicators.

\footnote{129} This could be interpreted as an indicator of entrepreneurship / potential active movement in the labour market.
Factor 5: THE ABILITY OF SUPPLIERS TO FORECAST, IDENTIFY AND MEET the skills needs of customers through accessible learning opportunities

A. Interpretation

The suppliers of learning and training operate in a market for such services. Like any other market, the market for learning and training will operate more effectively if there is a good flow of information between customers and suppliers. Suppliers need to know what customers want, in terms of the forms of learning or training required, how this should be delivered and where. Customers (both employers and individuals) should be able to make decisions that are informed by information about:

- the suppliers available (further education college, other training provider, higher education institution and so on);
- what they can offer (types of course in terms of subject, level and qualification, mode of delivery and location); and
- at what the cost of learning will be (course fees and sources of finance).

Customers should also have an appreciation of the likely benefits of learning and training in order to make informed choices.

Flows of information will occur in many different and diverse ways. Colleges and universities publish prospectuses and advertise their courses widely in newspapers and elsewhere. Careers advisers and guidance counsellors help communicate information about learning opportunities to people in need of learning and to those wanting to learn. Businesses receive support from national organisations and local organisations. Often contacts between customers and suppliers are direct, as when suppliers approach employers to market their courses or when individuals or employers approach colleges or other training organisations. In other instances, information is conveyed via an intermediary, such as Business Link or local Information, Advice and Guidance Partnerships. Capturing even a fraction of this process is likely to be difficult.

This factor could also reflect the ability of suppliers to capture emerging trends in business requirements and educational practices, and being innovative in developing capabilities and capacities accordingly. This is likely to include the development of new content and new methodologies for the delivery of learning materials (e.g. delivery of learning via the Internet, use of ‘action learning’ to minimise time away from the business and to enhance business focus, etc). It is also likely to involve a change in the skill mix of staff to deliver learning/training and may involve the development of appropriate off-site/on-site learning facilities.

B. Suggested indicators

1) proportion of employers who have been contacted in the past 12 months by local training suppliers to identify training and learning needs
   (source – National Employers Skill Survey [NESS])

2) number of people in the region receiving advice through Information, Advice and Guidance Partnerships
   (source: IAG Partnership administrative records)

3) proportion of employers using Business Link (the BL market penetration rate)
   (source: Business Link administrative records)

4) number of people using the Connexions service
   (source: Connexions service administrative records)
C. Assessment of coverage

This indicator of a healthy labour market is difficult to observe and measure. The four suggested indicators provide direct measures of the extent of information exchange by suppliers, individuals and business. However, it must be acknowledged that such measures will only reflect a subset of the flows of information in the market for learning. Additional measures might be considered but their feasibility is not yet clear. Each of the indicators as presently proposed is a ‘broad’ measure. It may well be possible in the future to refine these to provide a more detailed account of, say, nature of enquiries, type of ‘customer’ making enquiry and so on. In addition, questions might be included in future East Midlands Life and Work Surveys that provide indicators of where and how individuals have been seeking information about learning opportunities.
Factor 6: **Organisations that RECOGNISE THE VALUE of investing in the development of a flexible multi-skilled workforce in relation to business performance and competitiveness**

A. **Interpretation**

This factor is essentially an ‘attribute’ of the stock of businesses in the region (or a local area).

At the level of an individual company recognition of the value of investing in the workforce in relation to business performance has its roots in the aims of the *IiP Standard*, which cites twelve indicators including:

- **indicator 6**: the development of people is in line with the organisation’s aims and objectives – as evidenced by:
  - the organisation has clear priorities which link the development of people to its aims and objectives at organisation, team and individual level
  - people clearly understand what their development activities should achieve, both for them and the organisation
- **indicator 10**: the development of people improves the performance of the organisation, teams and individuals
  - the organisation can show that the development of people has improved the performance of the organisation, teams and individuals
- **indicator 11**: people understand the impact of the development of people on the performance of the organisation, teams and individuals
  - top management understands the overall costs and benefits of the development of people and its impact on performance
  - people can explain the impact of their development on their performance, and the performance of their team and the organisation as a whole

To this *IiP* generic, the FRESA ‘success factor’ adds the explicit criterion that a workforce should be *flexible* and *multi-skilled*.

Note that the term ‘recognise’ in the factor description is relatively passive. An organisation might ‘recognise’ the value of investing in workforce development but take no action. Rather, it would be in keeping with the FRESA philosophy for organisations to pursue, review and adjust workforce development activities in relation to business performance and competitiveness.

B. **Suggested indicators**

1) *IiP new commitments and new recognitions as a proportion of total businesses*\(^{130}\)
   (source: *IiP* returns [for numerator], number of businesses from IDBR [for denominator] – measured at regional and local LSC area scale\(^{131}\))

2) % of businesses engaging in training as a solution to problems posed by skill shortage vacancies
   (source: ESS/NESS)

3) % employers offering learning opportunities to employees\(^{132}\)
   (source: *Learning and Training at Work Survey* – measured at regional level [with reference to the ‘leading region’])

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\(^{130}\) This indicator may be interpreted as a measure of growth in the proportion of companies with a ‘positive’ attitude to workforce development.

\(^{131}\) Temporal trends are of particular relevance for this indicator. It would be possible to disaggregate this indicator by specified industrial sectors of particular interest.

\(^{132}\) Note that a lack of discrimination on this suggested indicator on the nature (i.e. subject and level) of learning opportunities is a weakness.
4) % employers with business / training / human resource plans and budgets\(^{133}\)
   (source: Learning and Training at Work Survey – measured at regional level [with reference to
   the ‘leading region’]\(^{134}\))

C. Assessment of coverage

The suggested indicators give at best a partial picture. In particular:

- **IiP-based indicators**: Incidence is biased towards large workplaces and/or the public sector. The measures do not explicitly reflect workforce flexibility or multi-skilling. Moreover, some (usually larger) firms pursue people development but have not sought IiP recognition.

- **engagement in training and learning opportunity** measures do not discriminate the level of training or the applicability of training to business performance

No indicators relating specifically to ‘flexibility’ or to ‘multi-skilling’ have been identified.

The situation outlined is far from ideal. When account is taken also of the need for businesses to ‘acquire the right skills they need to ensure survival, maintenance and growth’ (see factor ‘7’) it becomes more critical. This issue underlines a central dilemma of the FRESA in shifting the balance of regional targeting further in the direction of the demand side. The opportunity to address this problem is limited in the short term. In the medium-term the position might be improved by:

(a) introducing and disseminating *processes* which extend IiP and Business Link frameworks and activities in combination with best practices in specific larger companies, and

(b) developing the means to integrate top-down requirements and bottom-up information in order to enable target setting and measurement.

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\(^{133}\) Existence of such plans and budgets is indicative of a commitment to training. However, note that the ‘formality’ of such business planning varies by size of firm.

\(^{134}\) Ideally, account would be taken of variations in the size and industrial structure of businesses between regions to derive more meaningful comparisons.
Factor 7: Businesses can acquire THE RIGHT SKILLS they need to ensure survival, maintenance and growth

A. Interpretation

Like factor 6, this factor represents a business perspective. This factor relates to:

a) the ability of companies to correctly identify current and future skills needs which are ‘right’ for their business requirements
b) the availability of skills for recruitment (here there are links with factor ‘2’)  
c) labour market (im)balance in the availability of supply to match demand (hence there are strong links with factors ‘3’, ‘5’ and ‘9’).

Note that although there is the overall aspiration of moving the region up the skills ladder towards a high skill equilibrium, sufficient availability of ‘the right skills’ at all levels is important. This point is given greater credence by the different skills typically required by the operating modes of ‘survival’, ‘maintenance’ and ‘growth’.

B. Suggested indicators

1) IiP new commitments and new recognitions as a proportion of total businesses
   (source: IiP returns [for numerator], number of businesses from IDBR [for denominator] – measured at regional and local LSC area scale)

2) % establishments reporting skill gaps
   (source: ESS, NESS - measured at regional scale)

3) % establishments reporting skill-shortage vacancies
   (source: ESS, NESS - measured at regional scale)

4) employer outcome target
   (source: Jobcentre Plus – measured at regional level)

(Note that the SSPs have identified specific priorities for ‘people’, ‘employment’ and ‘learning and skills’ in relation to specific communities. However, these ‘direct’ measures are of more limited applicability when the region as a whole is under consideration.)

C. Assessment of coverage

Overall, these suggested indicators provide a circumstantial picture only. None of the indicators provide a picture of successful linking of ‘right skills’ needs identification with the acquisition of

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135 Some indicators that would be of relevance here are captured more directly by factors 2 and 9.
136 This indicator (also identified in ‘6’) specifically addresses the point raised in ‘a)’ above. Although IiP’s focus is on ‘development’, identifying the ‘right skills’ is intrinsic to this.
137 Temporal trends are of particular relevance for this indicator. It would be possible to disaggregate this indicator by specified industrial sectors of particular interest.
138 This indicator links the ability to identify specific skills needs with the ability to fill them. However, in terms of interpreting temporal trends, an increase in the prevalence of skill gaps may measure the fact that employers are improving in their ability to recognise ‘skill gaps’ (which may be interpreted as a positive development) while the characteristics of the skills pool available remains the same.
139 This is a measure of the ability of businesses to capture the skills they require from Jobcentre Plus, (although it also captures satisfaction with the service provided by Jobcentre Plus). However, the indicator is rather limited in that it does not capture any degree of sensitivity to the nature, level or relevance to competitiveness of the jobs concerned. Moreover, it is well-established that Jobcentre Plus deals with only a minority of vacancies, and that it has a higher market share amongst less-skilled occupations.
140 Both ‘spatial’ and ‘socio-demographic’ communities.
these skills, and with any possibility for discriminating the skills for survival, maintenance and growth.

In terms of the reporting of ‘skill gaps’, it is crucial to keep in mind that the suggested indicator reflects reported incidence only – many such gaps are likely to go unrecognised and unreported.

As with factor ‘6’, for the medium term the recommendations set out in the ‘assessment of coverage’ subsection for factor ‘6’ apply.\textsuperscript{141}

\textsuperscript{141} However, in the case of factor ‘7’ the challenges posed stretch beyond those identified in the discussion for factor ‘6’, since the outcomes of business-based processes will need to be matched by innovative actions relating to the supply side and the functioning of labour market intermediaries.
Factor 8: **Individuals that are aspirational and VIEW LEARNING AS AN ASSET that will increase their employability, earnings potential and quality of life**

A. Interpretation

This indicator relates to the issue of *commitment to learning*. Individuals who recognise the benefits of learning, in terms of enhanced employability and career opportunities, will create a continuing demand for learning (lifelong learning). Increasing the commitment to learning is an essential element of increasing the demand for learning by individuals.

Conventional measures of learning tend to focus on participation in learning activities and on qualifications achieved. While those who undertake such learning are clearly committed to learning, it is less clear that any increase in such measures (for instance, an increase in the number of people holding an NVQ qualification) represents a general increase in commitment to learning across the population. Research evidence has demonstrated that it is often the same people who undertake learning on a continuing basis while others remain uncommitted and unengaged in the learning process.

What is required is an indicator that measures the extent of commitment, not just in terms of activities undertaken, but in terms of an interest in or commitment to learning.

B. Suggested indicators

Three indicators based on data from the East Midlands Life and Work Survey 2003 have been identified:

1) *proportion of population who feel they have no need to develop any new skills over the next 12 months*

2) *proportion of the population who have undertaken no learning activity in the last three years*

3) *proportion of the population who have undertaken no learning since leaving school*

Note that all of the indicators measure the (inverse of) commitment to learning. A high proportion indicates that a relatively large proportion of the regional population has no demand for learning. A low, or falling proportion over time, would signal an increasing commitment to undertaking some form of learning activity. The ‘direction of change’ is of particular importance.

All indicators could be measured at the regional and sub-regional levels. It is important to monitor the ‘direction of change’ across all sub-regions.\(^{142}\)

C. Assessment of coverage

As noted in ‘A’, it is more difficult to measure ‘commitment to learning’ than it is to quantify the attainment of certain qualifications. The suggested indicators go some way to identify such commitment.

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\(^{142}\) Direct comparison with other regions will not be possible unless similar data can be located, for instance in the Labour Force Survey, the Learning and Training at Work Survey or the National Adult Learning Survey.
Factor 9: **A balance between supply and demand to create THE RIGHT SKILLS MIX to meet the region’s needs in moving forward**

A. Interpretation

What constitutes ‘the right skills mix’ is open to interpretation. Following the recession of the early/mid 1980s, most regions would have settled for a situation of near ‘full employment’ (i.e. the primary focus was on the ‘quantity’ rather than the ‘quality’ of opportunities). Given that ‘full employment’ has not been achieved in all regions / local areas, a concern with ‘quantity’ remains. However, the focus has shifted towards a greater emphasis on the ‘quality’ of employment opportunities. At the heart of the East Midlands FRESA is a recognition that where ‘full employment’ can be obtained at the cost of low-skill, low-wage employment (i.e. a low-skill equilibrium). The FRESA is concerned with moving towards a high-skill equilibrium, and hence there is a need to address the extent to which employment is skilled and well remunerated; (links with factor ‘1’ on ‘quality job offers’ are of relevance here).

The ‘right skills mix’ is about the stock of skills in the workforce and may encompass:

- creating a skills mix within the workforce such that the maximum number of vacancies are filled;
- ensuring that employment is sustainable over the medium to long-term;
- social inclusion - such that all groups within the population and all local areas are included in the development of the region;
- movement towards a high-skill equilibrium – the extent to which there is a supply of, and demand for, highly skilled and well-remunerated jobs.

The ‘right skills mix’ also encompasses an element of ‘(mis)match’. Hence, some suggested indicators of mismatch are identified. In general, skill-shortage vacancies tend to be more prevalent in more buoyant local labour market areas than in others. Hence, a high level of skill-shortage vacancies could be a ‘good’ thing, as opposed to a ‘bad’ thing.

B. Suggested indicators

The aim here is to develop a set of summary measures that give an indication of the extent to which the region (and sub-regions) possess the right skills mix from both ‘static’ and ‘dynamic’ perspectives.

1) **Percentage of total adults of working age with different qualification levels**[^143]

(source: LFS – measured at regional, local LSC area and SSP area levels)

In accordance with the general principles outlined in B2, this indicator could usefully be measured in such a way that the East Midlands position is considered vis-à-vis that of a ‘leading region’ – for example:

- ratio of percentage of total working age population with no qualifications[^144] in the East Midlands : highest ranked region
- ratio of percentage of total working age population with highest qualifications at NVQ levels 4 and 5 in the East Midlands : highest ranked region
- ratio of percentage of total working age population with highest qualifications at NVQ level 3 in the East Midlands : highest ranked region[^145]

2) **Employment rate for adults of working age**[^146]

(source: LFS – measured at regional, local LSC area and SSP area levels)

[^143]: This indicator should also be measured over time as the temporal trend is important.
[^144]: This is an indicator of social inclusion.
[^145]: Further qualification levels could be identified also.
[^146]: This indicator should also be measured over time, as the temporal trend is important.
In accordance with the general principles outlined in B2, this indicator could usefully be measured in such a way that the East Midlands position is considered vis-à-vis that of a ‘leading region’ – for example:

- ratio of employment rate in the East Midlands : highest ranked region

3) **Unemployment rate** \( ^{147} \) for adults of working age \( ^{148} \)

(sources: LFS – measured at regional, local LSC area and SSP area levels)

In accordance with the general principles outlined in B2, this indicator could usefully be measured in such a way that the East Midlands position is considered vis-à-vis that of a ‘leading region’ – for example:

- ratio of unemployment rate in the East Midlands : highest ranked region

4) **Non-employment rate** \( ^{149} \) for specific population sub-groups \( ^{150} \)

(sources: LFS – measured at regional level)

In accordance with the general principles outlined in B2, this indicator could usefully be measured in such a way that the East Midlands position is considered vis-à-vis that of a ‘leading region’ – for example:

- ratio of disabled:non-disabled non-employment rate in the East Midlands compared with the ratio of disabled:non-disabled non-employment rate highest ranked region
- ratio of white:non-white \( ^{151} \) non-employment rate in the East Midlands compared with the ratio of white:non-white non-employment rate highest ranked region

5) **Percentage of total employment in K1, K2, K3 and K4 sectors** \( ^{152} \)

(sources: LFS – measured at local LSC area / SSP area level)

In accordance with the general principles outlined in B2, this indicator could usefully be measured in such a way that the East Midlands position is considered vis-à-vis that of a ‘leading region’ – for example:

- ratio of percentage of total employment in K1 and K2 sectors in the East Midlands : highest ranked region (excluding London) \( ^{153} \)

6) **Percentage of total employment in sectors of projected employment demand**

(sources: ABI – measured at local LSC area / SSP area level; \( ^{154} \) employment projections [via SSDA/LSC])

- total employment in sectors projected to experience an increase in employment over the medium-term \( ^{155} \)

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\( ^{147} \) From a social inclusion perspective, there is also likely to be an interest in the long-term unemployment rate.

\( ^{148} \) This indicator should also be measured over time, as the temporal trend is important.

\( ^{149} \) This indicator should also be measured over time, as the temporal trend is important; (i.e. are experiences of different sub-groups diverging or converging over time?).

\( ^{150} \) A range of sub-groups could be identified, with disaggregations by age, gender, ethnic group, disability, etc. Only selected groups are identified here.

\( ^{151} \) The difficulty here is that ‘non-white’ represents the ‘average’ of a wide range of different experiences (e.g. Pakistani and Bangladeshi groups tend to have higher unemployment rates than people of Indian origin, etc), with nobody actually having the ‘average’ experience.

\( ^{152} \) As in the case of ‘factor 1’, these are ‘contextual’ indicators measuring the ‘spread’ / ‘range’ of employment at regional level according to the knowledge intensity of different industries as measured in the Regional Economic Architecture model. (See Hepworth M. and Spencer G. (2003) *A Regional Perspective on the Knowledge Economy in Great Britain*, Report for the DTI from the Local Futures Group, London.)

\( ^{153} \) There is a case for excluding London from consideration here due to its distinctive occupational and industrial structure – relating, in particular to the presence of the City of London and the concentration of headquarters functions in the capital.

\( ^{154} \) Note that there are likely to be important local variations on this indicator.

\( ^{155} \) It should be recognised, however, that a region might ‘buck the national trend’ and experience employment growth in sectors that are declining at national level, and experience employment decrease in sectors that are projected to see employment growth nationally.
7) **Wage rates**
   (source: NES, but restricted to full-time employees due to data limitations – measured at regional level and at local level)
   - ratio of gross hourly earnings in the East Midlands : England (excluding London)
   - ratio of gross hourly earnings in the East Midlands lowest ranked local LSC area : highest ranked local LSC area

8) **Mismatch volume**
   (source: ESS, NESS, SNIB – a time series measured at regional level and with respect to the ‘leading’ region)
   - density of hard-to-fill vacancies
   - density of skill-shortage vacancies

9) **Mismatch in high-skill / high value-added sectors**
   (source: ESS, NESS for mismatch measures measured at regional level and with respect to the ‘leading’ region; high value-added sectors could be identified as the K1 sectors in the Regional Economic Architecture).
   - density of hard-to-fill vacancies in high skill / high value-added sectors
   - density of skill-shortage vacancies in high skill / high value-added sectors

C. **Assessment of coverage**

A range of candidate indicators has been identified here which together would provide some indication of the ‘right skill mix’. It should be noted that the ‘right skill mix’ is a dynamic concept (i.e. what constitutes the ‘right skill mix’ is likely to change over time.)

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156 Ideally, information on ‘real wages’ would be used, but there are severe data limitations here.
157 There is a case for excluding London from consideration here due to the steep gradient in earnings from London to the Rest of England. This reflects the fact that earnings levels in London are distorted by earnings in those ‘World City’ functions in London to which the East Midlands cannot reasonably aspire.
158 Other sub-regional units could be substituted for local LSC areas, but sample size considerations need to be borne in mind.
159 Alternatively, this indicator could be operationalised for key sectors of specific interest.
Factor 10: **A FUNDING PROCESS that creates a flexible and demand-led system of learning provision that maximises the responsiveness of the supply side and eliminates inappropriate provision and at the same time recognises its social responsibilities**

A. **Interpretation**

This indicator reflects the demand-led approach of the East Midlands FRESA. The indicator refers to the funding of education and learning as the driver of:

- flexible and demand-led provision,
- responsive supply of learning and training,
- elimination of inappropriate provision, and
- socially responsible provision.

This indicator reflects concern that the supply of education and learning has, in the past, been too much dominated by the interests and priorities of learning and training suppliers, especially the further education sector. This concern is addressed in the 2003 Skills Strategy White Paper ‘21st Century Skills: Realising Our Potential’ (Cm 5810, July 2003). The White Paper sets out four principles underlying an improved publicly funded training sector. These principles are that training provision should be:

- led by the needs of employers;
- shaped by the skill needs priorities in each sector, region, and local area;
- make best use of ICT to deliver and assess learning;
- give colleges and training providers maximum discretion to decide how best to respond to needs.

Local LSC offices are being given greater discretion to deploy their budgets to meet local needs. This will be achieved by means of Strategic Area Reviews that will also decide which local learning and training providers to support with public funds. Local providers will be encouraged to plan provision in conjunction with their local LSC and to determine which areas of provision need to be expanded and which should be scaled down.

This indicator of a ‘healthy labour market’ presents a challenge to measurement since it relates to a ‘process’ rather than an ‘outcome’. Flexibility and responsiveness are not directly measurable and can only be inferred from other measures.

B. **Suggested indicators**

A suite of indicators from the same source has been identified:

1) the proportion of employers contacted by a training provider in the last 12 months to ask for views on the courses they currently provide
2) the proportion of employers who have used training providers in the last 12 months to train or develop their staff
3) the mean satisfaction score of those employers with the services provided by training providers

**Notes:**

a) The term ‘training provider’ refers to both further education colleges and other local training providers.

b) The source of these indicators is the annual (National) Employer’s Skills Survey [(N)ESS] (previously conducted for DfES but currently the responsibility of the national LSC).

c) All of these indicators can be constructed at regional and sub-regional levels.
C. **Assessment of coverage**

These indicators focus on the main priority of the funding regime – to be demand-led – and avoid measures seeking to capture the process. As such the indicators measure the extent to which providers have consulted employers, the extent to which employers used providers and, most importantly, how satisfied were employers with the services of training providers.

While providing good indicators of the performance of the funding process, the indicators do have some limitations. The main source of data (NESS/ESS) is an annual survey so these measures will only be available on an annual basis. The measures do not cover issues such as whether the mix of learning and training provision has been changed or what form such change has taken. It is possible that each local LSC office could provide appropriate indicators to measure these dimensions of the funding process but the feasibility of this is currently not known.
Factor 11: A SUPPORTIVE INFRASTRUCTURE that enables effective participation in the workforce through accessible and affordable childcare provision, effective disability support, and facilitates employment opportunity through housing and transport provision

A. Interpretation

As currently constituted this ‘indicator’ is about the contextual factors linked to:

- participation in the labour force, and
- employability of individuals.

Hence, essentially it can be thought of in terms of overcoming barriers to employment and so understanding labour supply decisions at individual level.

However, the ‘indicator’ is also about the functioning of the labour market in terms of facilitating the utilisation of individuals’ supply of labour, and of their skills. Note that the emphasis is on ‘effective’ participation in the workforce. ‘Effective’ is not specifically defined, but it could be interpreted as enabling each individual to achieve the participation they want.

Somewhat more indirectly, the ‘indicator’ is about the provision of skills to businesses. So it may be interpreted as being about:

- what employers are able to provide in terms of family friendly working
- provision of facilities / services in an attempt to overcome ‘barriers’ to employment (e.g. provision of workplace creches, helping to provide transport to and from work, etc).

Four specific potential ‘barriers’ to effective participation are identified:

a) childcare provision – with the dimensions of ‘accessibility’ (in ‘physical’ terms [i.e. is it practical for individuals with children to get to the relevant ‘care location’ from both their place of residence and from their workplace]) and ‘affordability’

b) effective disability support – this could be interpreted as encompassing ensuring that special provision is made at the workplace (as required) for individuals to perform their job, and providing advice and guidance to both individuals and employers

c) housing provision – in some local areas the provision of affordable and appropriate housing within reasonable travelling distance of a job is a particular issue, that has implications for whether individuals can fill and retain jobs

d) transport provision – not all (potential) workers can drive and/or have access to a car, and so availability (in both temporal and spatial terms), reliability and affordability of public transport is a key issue; (such problems may be particularly acute in rural areas, where transport problems may serve to restrict the range and nature of jobs open to individuals [so resulting in inactivity or under-employment], but they are not confined to rural areas).

In ‘contextual’ terms wider issues of the level of and eligibility for out-of-work and in-work benefits are of relevance to this ‘indicator’, as are investment decisions in transport, childcare, etc, and housing policy, etc. Such issues lie largely outside the scope of activity of FRESA Forum partners – and so are not considered here.

Note that spatial and sub-group disaggregation is of particular relevance for this ‘indicator’ – since potential for ‘effective participation’ is likely to vary by local area and across specific sub-groups.

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Note that ability to drive / access to a car has been identified as a key determinant in terms of access to employment. ‘Learning to drive’ is one of the most valuable skills a person can acquire in order to facilitate employability / access to jobs.
B. Suggested indicators

1) Number of childcare places per child of pre-school age (DfES and other sources on local provision)\textsuperscript{161}
2) Number of after school places per child of school age (DfES sources on local provision)\textsuperscript{162}
3) Ratio of disabled: non-disabled economic activity rate (source: LFS, but there is a potential problem of small numbers – measured at regional level)\textsuperscript{163}
4) Ratio of disabled: non-disabled employment rate (source: LFS, but there is potential problem of small numbers – measured at regional level)\textsuperscript{164}
5) Housing affordability\textsuperscript{165} (source: house price to income ratios\textsuperscript{166} [based on house price and New Earning Survey data]\textsuperscript{167})
6) % adult population of working age with access to a car (for work purposes) (source: 2001 Census of Population provides a ‘baseline’ picture on access to cars within households; for updating it would be necessary to use household survey sources)
7) Access to a daily bus service\textsuperscript{168} (source: Countryside Agency, local authorities)
8) % of employers providing (some form of) family-friendly working\textsuperscript{169} (source: employer surveys, Work-Life Balance Survey [via DTI])

C. Assessment of coverage

These indicators are largely ‘contextual’.

There are many dimensions to a ‘supportive infrastructure, and the indicators listed above should be regarded as ‘exemplars’ – rather than as an exhaustive list.\textsuperscript{170}

It should be noted that as well as the ‘objective reality’ captured (to a greater or to a lesser extent) by these indicators, individuals’ and employers’ perceptions can act as a constraint on ‘effective participation’. An example is that people might not be aware of what transport is available, and so may constrain their job search activities unnecessarily.

\textsuperscript{161} A key issue here is the extent to which ‘free’ places can be provided (as required by DfES) and the cost of care outside of the free provision.
\textsuperscript{162} Local availability and cost are important factors here.
\textsuperscript{163} In accordance with general principles outlined, it would be informative to compare the East Midlands experience on this indicator with that of the ‘leading region’.
\textsuperscript{164} The note above applies.
\textsuperscript{165} This is a ‘contextual’ indicator, largely outwith the influence of regional actors. Interest rates, household formation rates, planning policy, etc, all play a role in determining housing affordability.
\textsuperscript{167} Note that this indicator is based on ‘owner occupation’ - which is the most popular tenure. Availability and affordability of rented housing is also a key issue, but a specific indicator has not been identified here.
\textsuperscript{168} A key indicator that has been adopted by those concerned with rural development. However, there are problems with this indicator in terms of whether scheduling / reliability / affordability of public transport services ‘fits in’ with the requirements of a job.
\textsuperscript{169} Note, however, that such an indicator can be very misleading. It is difficult to identify robust summary indicators of work-life balance practices. For example, flexibility in hours worked needs to be set against the context of the actual number of hours to be worked. Moreover, many work-life balance practices are informal, and so are not susceptible to measurement.
\textsuperscript{170} There are inevitably gaps in the list.
3.2.4 Recommended core indicators

The purpose of identifying core indicators is to summarise and encapsulate the changing position of the region (and sub-regions, where possible). Issues of robustness of data sources, scope for disaggregation (by sub-group and area), frequency of observations and, crucially, interpretation of indicators are taken into account.

The ‘general principles’ for the construction of indicators (set out in section 3.2.2) apply – i.e.:

1) as far as possible, it is helpful to consider the position of the East Midlands vis-à-vis a national comparator or the ‘leading’ region
2) in setting a target it is useful to consider the recent time trend on the indicator in question, and it is necessary to be able to derive future ‘observations’ on that indicator on a comparable basis to current and previous observations in order to measure progress towards the target(s) in question;
3) from a social inclusion perspective, as far as possible the intra-regional and sub-group variation on a particular indicator should be taken into account – by means of ratio indicators, the use of ‘floor targets’ to establish minimum levels, etc.

The first stage in the exercise of recommending core indicators was to select from each of the 11 ‘factor’ headings those indicators considered to be the most important / robust in capturing that ‘element’ of the FRESA. These ‘candidate’ core indicators are listed below.

**Candidate ‘core’ indicators**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Indicator</th>
</tr>
</thead>
</table>
| 1      | gross hourly earnings  
employment rate for adults of working age  
      | 2 | percentage of adults of working age with different qualification levels  
percentage of working age adults experiencing problems with literacy and numeracy  
participation rate in post-16 full-time education and training  |
| 3      | density of skill-shortage vacancies  
percentage of organisations reporting skill gaps (disaggregated by specific occupations)  |
| 4      | no indicators identified  |
| 5      | proportion of employers who have been contacted in the past twelve months by local training suppliers to identify training and learning needs  
      | 6 | LIIP new commitments and new recognitions as a proportion of total businesses  
% employers offering learning opportunities to employees  |
| 7      | % establishments reporting skill gaps  
% establishments reporting skill-shortage vacancies  |
| 8      | proportion of population who feel that they have no need to develop any new skills over the next twelve months  |
| 9      | percentage of adults of working age with different qualification levels  
percentage of total employment in K1, K2, K3 and K4 sectors  |
| 10     | the proportion of employers contacted by a training provider in the last twelve months to ask for views on courses they currently provide  
the proportion of employers who have used training providers in the last twelve months to train or develop their staff  |
| 11     | no indicators identified  |

171 The turnover rate and the % adults entering and leaving the labour force in the last three months were identified as the ‘best’ possible indicators under this heading, but both are subject to problems of interpretation, and so were not selected as candidate ‘core’ indicators.
There are seventeen entries in the Table above. However, some candidate core indicators are repeated (notably, ‘% adults of working age with different qualification levels’). Other candidate core indicators appear in a very similar form to one another (for example, ‘density of skill-shortage vacancies’ and ‘% establishments reporting skill-shortage vacancies’).

From the list of candidate ‘core’ indicators, a subset of what were considered to be the most crucial recommended core indicators were identified\(^\text{173}\) (see the Table of Recommended Core Indicators below). (Of course, if desired, it would be possible to operationalise all of the candidate ‘core’ indicators identified above\(^\text{174}\)).

Other widely used indicators not identified during the course of this research were also considered for inclusion – for example:
- GDP per hour worked\(^\text{175}\)
- employment change\(^\text{176}\)
- long-term unemployment rate\(^\text{177}\)

**Recommended core indicators**

1. **employment rate for adults of working age**
   (source: LFS – measured at regional and local LSC area / SSP area levels)
   This indicator is suitable for specification of floor targets – expressed in terms of sub-regional disparities – for example:
   - ratio of employment rate for adults of working age in the East Midlands lowest ranked local LSC area (or SSP area) : highest ranked local LSC area (or SSP area)

2. **gross hourly earnings**
   (source: NES, but restricted to full-time employees (due to data limitations) – measured at regional level and at local level)
   This indicator is suitable for specification of floor targets – expressed in terms of sub-regional disparities in average earnings and in terms of the ratio of the top decile to the bottom decile of the earnings distribution – for example:
   - ratio of gross hourly earnings in the East Midlands : England (excluding London)
   - ratio of gross hourly earnings in the East Midlands lowest ranked local LSC area : highest ranked local LSC area
   - ratio of top decile : bottom decile of the East Midlands hourly earnings distribution.

3. **percentage of adults of working age with different qualification levels**
   (source: LFS – measured at regional, local LSC area and SSP area levels)
   In accordance with the general principles outlined in B2, this indicator could usefully be measured in such a way that the East Midlands position is considered vis-à-vis that of a ‘leading region’ – for example:
   - ratio of percentage of total working age population with specified qualification levels (based on NVQ levels and equivalents – e.g. NVQ levels 4 and 5, NVQ level 3, NVQ level 2, NVQ level 1, no qualifications) in the East Midlands : highest ranked region

\(^{172}\) The indicators identified were considered amongst the best available but none were deemed worthy of specific identification of ‘core’ indicators, although they are important contextual indicators against which the monitoring of the FRESA should be set.

\(^{173}\) Note that some of the recommended indicators are in fact ‘suites’ of indicators.

\(^{174}\) For further details of the operationalisation of indicators, see the discussion in section 3.2.3.

\(^{175}\) A widely used measure of productivity, but one where there are problems posed by a lack of timely data.

\(^{176}\) Measures of absolute and percentage change over a specified time period at regional and local scales (using data from the Annual Business Inquiry) are likely to be of interest.

\(^{177}\) An indicator (specified as unemployed for at least 12 months) of the severity of labour market exclusion.
In order to inform the setting of targets by the FRESA Forum, work was undertaken in-house at emda to operationalise indicators 1-4. Recommended indicators 5-7 are intended to address the urgent need for ‘demand side’ indicators to support the FRESA. Unfortunately, the data sets on which these measures depend are not yet available. It is therefore impossible to quantify appropriate targets/indicators at this time. These indicators will be produced as soon as the relevant data becomes available.

The 2003 LSC National Employer Survey is the largest employer skills survey ever undertaken in England. It has been designed specifically to fill the national deficit in data on employers’ demand for skills and to enable the LSC to measure employer engagement. The East Midlands Life and Work Survey has been commissioned by emda and East Midlands Observatory partners to improve the quality of regional and sub-regional labour market intelligence. At the present time, funding for both surveys has been on an ad hoc project basis. When deciding whether to implement targets based on ‘unofficial’ data sources, it is necessary to consider the likelihood of such surveys being repeated in order to maintain the time-series.

### Final comments

It is evident from the discussion in sections 3.2.3 and 3.2.4 that there is considerable overlap between some of the EMDA FRESA ‘success factors’. For example, there are overlaps between:

- the degree of match between the skills of individuals and the employment opportunities across the region (factor 3)
- businesses can acquire the right skills they need to ensure survival, maintenance and growth (factor 7)
- a balance between supply and demand to create the right skill mix to meet the region’s needs in moving forward (factor 9)

Hence, some ‘suggested indicators’ are identified under more than one ‘factor’ heading. However, using the ‘success factors’ as an organising framework ensured that the main themes / thrust of the FRESA are captured.

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178 This indicator was recommended at the Technical Workshop.

179 This could be disaggregated to specific occupational groups (if desired).

180 Note that this indicator measures the inverse of commitment to learning.

181 This has a more ‘forward-looking’ perspective than factor 3.
The review in Section 3.2 also highlights the importance of a number of key data sources. In particular:

- the Labour Force Survey – providing a range of labour market information (from an individual perspective): including qualifications, occupations, economic position, etc, on a comparable basis across regions;\textsuperscript{182}
- the East Midlands Life and Work Survey – providing useful information on employment, learning, attitudes, utilisation of skills, etc, at regional and sub-regional levels;\textsuperscript{183}
- the (National) Employers Skill Survey – providing information on skill deficiencies from an employer perspective;
- the New Earnings Survey – as the best available source of data on earnings.

The DTI Measures of Performance work summarised in section 3.1.3 proceeded in parallel with this study, and so has not been integrated with it. It can be seen however, that there is strong correlation with the drivers/targets emerging from that work, and the indicators recommended or gaps identified in this report: the latter especially in the areas of qualitative demand-side indicators and aspirational targets.

\textsuperscript{182} This list is not intended to be exhaustive.
\textsuperscript{183} This inter-regional comparability is important given the importance of considering the position of the East Midlands vis-à-vis other regions in setting challenging targets.
\textsuperscript{184} For monitoring purposes it is important that a time series of such information is developed.