York and North Yorkshire
Labour Market Analysis 2021

Executive Summary

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Introduction

This report provides an assessment of York and North Yorkshire's (YNY's) skills needs based on a detailed analysis of the supply of and demand for skills together with evidence of mismatch and market failure. It identifies employment and skills priorities and sets out key recommendations for action.

Covid-19 has had a profound impact on the workings of the local economy, labour market and education and training supply side. This report seeks to assess this impact and set out the implications of the crisis, as far as currently available evidence allows. The report also examines the underlying strengths and weaknesses of the local labour market, some of which are long term and structural and will continue to have a bearing on its future performance.

The key purpose of the analysis is to inform the deliberations of the LEP's Skills and Employability Board, now functioning as the local Skills Advisory Panel. Skills Advisory Panels comprise employers, skills providers and local government, working together to understand and address local skills challenges. The analysis also has wider applications; to inform, for example, the curriculum strategies of education and training institutions and to underpin local careers information and advice practice.

The content of the analysis takes account of the LEP's existing policy context and priorities around workforce skills, apprenticeships, social inclusion and enterprise in education.

It also takes account of recent changes to the LEP's geographic footprint, made in response to the government's LEP Review process. These changes call for a refreshed labour market analysis baseline, since the characteristics and needs of the area are substantially different under this new spatial definition, with implications for the LEP's objectives and priorities.

The local landscape

Local action on employment and skills aims to contribute to improvements in wider economic performance, particularly around productivity, earnings and employment. It also seeks to foster greater inclusion around opportunities to participate and benefit from economic opportunities. This report provides an overview of the current performance of the economy and labour market in these areas, taking into account the profound impact of Covid-19.

Contextual indicators suggest that the LEP area needs to improve the way in which skills are developed and utilised to address deficits around productivity and pay. The impact of Covid-19 on unemployment means that there will be an urgent need to get people back into work and to reskill them for new opportunities.

YNY has a strong business base in terms of the ratio of businesses to head of population; there are 5,000 additional businesses locally compared with what would be the case if local business density matched the national average. Nine out of 10 businesses are micro in size (0-9 employees) and the LEP area has a large number of agricultural businesses in this size band. Compared to the national business profile, establishments in accommodation and food services are also well represented, accounting for 8% of total enterprises compared with 6% nationally.

The analysis shows that YNY faces a significant and widening gap in its **productivity** performance. Output per hour worked in the LEP area is only 83% of the UK average (from a position of just below parity in 2004). Within the LEP area, York substantially outperforms North Yorkshire on productivity and is close to the national average. Raising local productivity up to the UK average would grow the local economy by £4 billion. There is a strong correlation between the relative performance of local areas on skills and their productivity performance. A comparison with other areas suggests that YNY is not capitalising on its skills base in terms of its productivity performance.

Pay levels also lag behind the national average, reflecting this weak productivity performance. At £13.29 per hour, gross median pay for full-time jobs in the LEP area is only 87% of the national average of £15.31. The LEP area faces a significant low pay challenge with 22% of jobs paying below the Real Living Wage, rising to 28% in Scarborough and Ryedale; much higher than the national average of 20%. YNY's pay deficit largely reflects a gap at the upper end of the pay distribution: well-paid workers in the LEP area receive less pay compared to their national counterparts. In addition, the residence-based median rate of hourly pay is 5% higher than the workplace measure and 92% of the national average, indicating that a proportion of residents are commuting out of the LEP area to jobs attracting better pay than those in the locality.

The LEP area faces a gender pay gap[1] that is somewhat lower than the national average. The overall pay gap for all employee jobs locally is 14%, slightly below the England average of 17%.

Prior to the Covid-19 crisis, the YNY economy was performing well in terms of getting people into jobs. According to the latest available data the **local employment rate**, expressed as the proportion of the population aged 16-64 who are in work, was one percentage point above the national average at 78%, versus 77%. The local rate has been consistently higher than average over the last 15 years. However, unlike many parts of the country, the LEP area has seen slow growth in its working age population, meaning that a small increase in the number of people in employment has been sufficient to drive up the employment rate. The latest local employment statistics do not give a fully up to date picture as they are based on a yearly average for the period July 2019 to June 2020. Moreover, many people currently in employment are on furlough or working reduced hours.

Local employment growth has increasingly come from employee and full-time jobs in recent years. The longer-term increase in part-time and non-permanent jobs has stalled somewhat in the last couple of years, although part-time jobs are still strongly represented in the LEP area. Should we move into a prolonged recession because of Covid we could witness a return to this previous pattern.

Based on the official estimates, unemployment remains low in the LEP area and is less than half the national average rate. However, the claimant count has more than doubled since the start of the Covid crisis, albeit from a low base, and the claimant rate remains below the national average. There are currently 19,000 people claimant unemployed in total in YNY, a claimant rate of 3.8% (national average=6.3%) There has been a particularly marked increase in claimant unemployment among young people. In addition to those who are claimant

[1] The gender pay gap is calculated as the difference between average hourly earnings (excluding overtime) of men and women as a proportion of average hourly earnings (excluding overtime) of men's earnings.

unemployed there are still a large number of individuals on furlough, according to the latest figures, some of whom could become unemployed as the job support scheme ends.

Acute **deprivation** is not widespread in the LEP area. Only 3 per cent of neighbourhoods fall within the 10% most deprived nationally; however, its isolated nature, with coastal communities particularly affected, means that outcomes are often poorer than in areas where it is more commonplace. Education, training and skills deprivation is a more significant issue than other forms of deprivation in the LEP area.

Table 1: Key facts about the York and North Yorkshire labour market

Key fact	Notes and source
Mapping the landscape	
Size of total resident population – **828,700**	Mid-year Population Estimates 2019, Office for National Statistics
Size of working age population (aged 16-64) – **500,900**	Mid-year Population Estimates 2019, Office for National Statistics
Productivity level, gross value added per hour worked, in YNY: - **£29.60** (national average: £35.57)	Source: Sub regional productivity: labour productivity indices by Local Enterprise Partnership, Office for National Statistics
Average pay: **£13.29 per hour** (national average: £15.31)	Median gross hourly pay for full-time jobs. Source: Annual Survey of Hours and Earnings, 2020
Size of gender pay gap in YNY (median pay for all jobs; residence-based): **14%** (England average: 17%)	The gender pay gap is the difference between average hourly earnings of men and women as a proportion of average hourly earnings of men. Source: Annual Survey of Hours and Earnings, 2020
Employment rate in YNY: **78%** (national average 77%)	Proportion of people aged 16-64 in employment. Source: Annual Population Survey, July 2019 to June 2020.
Number of people in YNY who are unemployed or inactive (but would like a job): **30,000**	People aged 16-64 who are unemployed plus people who are inactive but would like a job as a proportion of population aged 16-64. Source: Annual Population Survey, July 2019 to June 2020.
Demand	

Key fact	Notes and source
Number of workplace jobs in YNY: **472,000**	Workplace jobs comprise employee jobs, self-employed, government-supported trainees and HM Forces. Source: Office for National Statistics, 2018
Proportion of people in employment working in high skilled occupations – **46%** (national average – 50%)	Proportion of people aged 16-64 in employment. Source: Annual Population Survey, July 2019 to June 2020.
Proportion of workers in YNY employed in five lowest paid occupations – **22%** (national average – 17%)	Source: Annual Population Survey, July 2019 to June 2020.
Proportion of projected job openings in YNYER that are due to replacement demands rather than net job growth – **94%**	Source: Working Futures, 2017 -2027
Supply	
Total further education learners, aged 16-18 – **12,400**	Figure relates to YNY residents in learning in 2019/20 academic year, includes Community Learning and Education and Training. Source: Education and Skills Funding Agency
Total adult learners in further education – **26,800**	Figure relates to YNY residents in learning in 2019/20 academic year, includes Community Learning and Education and Training. Source: Education and Skills Funding Agency
Estimated Adult Education Budget spend in YNY in 2017/18 (excluding Community Learning) - **£7.6m**	Education and Skills Funding Agency
Total apprenticeship starts in YNY – **7,740**	Figure relates to YNY residents starting an apprenticeship in 2019/20 academic year - includes British Army. Source: Education and Skills Funding Agency

Key fact	Notes and source
Number of students enrolled at YNY higher education institutions – **26,000**	2018/19 academic year. Source: HESA
Mismatches	
Proportion of vacancies in YNY that are skill shortage vacancies – **19%** (national average – 25%)	Source: Employer Skills Survey 2019
Proportion of employers in YNY who have one or more staff with a skills gap – **13%** (national average – 13%)	Source: Employer Skills Survey 2019
Proportion of YNY employers who say the skills of their staff are underutilised – **36%** (national average 34%)	Source: Employer Skills Survey 2019

Demand for skills

The report provides an overview of the demand for skills in the area, based on the profile of jobs locally and the skills required to do those jobs. It considers the current picture and the likely shape of future demand. The fundamental question that it addresses is: What skills do employers and the local economy need - both now and in the future?

The Covid-19 crisis has added to the complexity of addressing this issue. Before Covid, YNY had several key strengths on the demand-side of the labour market. However, the exposure of elements of the local economy to the pandemic and the consequences of Brexit (e.g. agriculture and hospitality sectors) could adversely affect YNY and lead to major changes in the pattern of labour and skills demand.

YNY has a high **jobs density**[2], indicating that it has a strong supply of employment opportunities for local people. Several districts have a very high jobs density, including Craven (1.20), Harrogate (1.04), Richmondshire (0.97) and Hambleton (0.97).

The four **biggest sectors** in the LEP area's employment base are Wholesale and retail (15%), Health and social care (13%), Accommodation and food services (10%) and Manufacturing (9%).

The local employment base has several distinct **sectoral specialisms**. Relative to the structure of the national economy, Agriculture and Manufacturing (particularly food manufacturing), together with Accommodation and food services are key strengths of the local employment base. There is also a major concentration of the energy sector employment in Selby. The key area of under-representation is in knowledge-intensive services, which in proportionate terms account for only two-thirds of the employment seen at national level. The local share of employment accounted for by the public sector is in line with the national average.

Overall, the LEP area has a **deficit of high skilled employment:** 46% of employees are in higher skilled roles locally, versus a national average of 50%. There is also a disproportionate reliance on low-skilled jobs. This deficit of workers in higher skilled occupations extends to employment in most industry sectors in the LEP area, reflecting relatively low value business activities, low productivity and an associated weak demand for skills locally.

In absolute terms, Elementary administration and service occupations, Corporate managers, Administrative occupations and Caring personal services account for the greatest numbers of people in employment.

In terms of specific **occupational specialisms**, the LEP area's employment base is has relatively large numbers of people employed in agriculture trades and protective service roles. The latter reflects the considerable presence of the British Army locally. The key areas where employment is under-represented include the higher skilled occupational categories of Science, research and technology professionals (which is likely to be due to low employment in digital roles) and in Business and media professional roles, reflecting the comparatively small scale of knowledge-intensive service activities locally.

[2] Job density is the ratio of workplace jobs to the number of residents in an area.

The bulk of recent **sectoral employment growth** has been in service activities (both business and consumer facing). The two business service categories of Administrative and support services and Professional scientific and technical activities had the highest net employment growth followed by Accommodation and food services. Looking beyond services, manufacturing and construction also grew over this period.

Occupational employment growth has mainly been concentrated in higher skilled occupations. The number of people employed in management, professional and associate professional roles has grown by 46,000 over the longer-term between 2004 and 2019/20. This represents growth of 36%, well over twice the rate seen for overall employment (14%) for this period. The other main source of growth was in service-intensive jobs (which includes caring roles), which grew consistently by around 12,000 or 13% between 2004 and 2019/20. Employment in middle skilled roles suffered badly in the 2008 recession. After showing signs of a bounce-back during the economic recovery, it has fallen back into a period of decline. Employment in labour-intensive roles (semi-skilled operatives, labourers) has remained in negative territory throughout the period.

On-line job postings data provide an insight into the level and **profile of current job openings**. The overall level of postings plunged in the spring due to Covid-19 but then entered a steady recovery trend prior to another fall in activity in response to the re-imposition of restrictions in the autumn. With these set to continue for some time, the outlook for recruitment activity is uncertain. The occupational profile of job postings is very different to the national picture, with proportionately fewer higher skilled openings. The pattern of recovery has also been distinctive. In sectoral terms, health and manufacturing increased their share of job openings during the crisis whilst hospitality's share fell.

The individual detailed occupations in greatest demand currently cover a diverse range, most notably health, care, digital and administration. Communication is the baseline skill that is in the greatest demand by far identified in employers' job postings, followed by organisational skills, attention to detail, planning, creativity and problem solving. Customer service, teaching and team working / collaboration are the specialist skills in greatest demand.

Around two-thirds of employers have **upskilling needs** in the LEP area. Employers are most likely to say that managers need upskilling. The types of skills employers believe need to be developed are a combination of operational skills, including job specific skills and product / service knowledge; advanced analytical skills such as solving complex problems; and digital skills including digital literacy and advanced IT skills. Functional literacy and numeracy skills are also highlighted.

Based on the Working Futures study[3], the **main sectoral sources of net job growth** in YNY over the next decade will be service-based, in the form of health and social work, professional services and support services. The industries with the poorest prospects, based on the forecasts, are mainly in the manufacturing and primary sectors of the economy. Key employment sectors such as hospitality and

[3] Working Futures provides a comprehensive and detailed model of the UK labour market and skills needs. It projects the future size and shape of the labour market by considering employment prospects by industry, occupation, qualification level, gender and employment status.

wholesale and retail are forecast to see small net declines in absolute terms but are very likely to have significant recruitment needs linked to replacement demands.

The same projections indicate that higher skilled occupations will continue to see the strongest net growth in employment, whilst middle skilled administrative and manual roles will continue to experience net decline. Caring roles are projected to represent a second key source of net job growth. Covid-19 could have an impact on this pattern of change, reinforcing existing trends and offsetting others. Some occupations have increased their share of job openings during the Covid crisis (most higher skilled occupations, for example) whilst others have experienced a reduction (secretarial, sales and customer service, for example). At this stage we do not know whether these changes will persist into the future.

Replacement demands will reinforce net growth in higher skilled occupations and caring roles, leading to strong recruitment needs in these areas. However, because replacement demands are expected to generate 14 times as many job openings as net growth over the next decade, they will also serve to offset net declines, ensuring that most occupational areas will see a positive recruitment requirement over the next decade. The broad-based nature of the future recruitment requirement is a key message for those planning education and training provision within institutions and for individuals making careers choices.

The impact of **automation** could disrupt the labour market, rendering some types of skill obsolete, particularly those that relate to routine tasks. In broad terms, the influence of new technologies is expected to reinforce the existing pattern of change, with low and middle skilled occupations most susceptible to automation whilst higher skilled roles and caring roles face less risk of displacement. Locally, just over a third of current jobs are at high risk of automation over the next 20 years, in line with the national picture. In sectoral terms, agriculture, accommodation and wholesale / retail are most susceptible to the effect of automation.

As technology alters the importance of some tasks and jobs in the labour market, there will be a need to invest in **re-skilling** to enable workers to adapt to changes in the design of their existing jobs and to help them to move into new roles or even occupations to benefit from more sustainable opportunities.

Supply of skills

This section of the report provides an assessment of the current profile of skills and qualifications in the local area and considers the quality and responsiveness of the skills “pipeline” provided by apprenticeships, higher education, workforce development and other sources of skills supply.

Overall, the LEP area has a strong skills base currently and a high-performing skills pipeline. However, the skills system has seen severe disruption during the latter part of the 2019/20 academic year as a result of Covid-19.

With regard to local **demography**, the LEP area faces a challenge of a declining and ageing population. The working age population of the LEP area remained static in size over the course of the last decade (2009 – 2019), in contrast to the national picture, which saw an expansion of 4%. The size of the local labour force is projected to decline over the next 20 years, in contrast with expected growth nationally. The local working age population is projected to fall by 5% in the period to 2043, compared with growth of 4% nationally. In absolute terms this is a reduction of 25,000 in the number of people aged 16-64. This has important implications for future skills supply. With a limited number of working age people in the labour market and an increasing dependency ratio, there is added urgency to the task of investing in the skills of existing members of the workforce to boost productivity.

The LEP area is characterised by strong inward and outward **commuting flows**. One-fifth of residents (66,000 people) commute to jobs outside YNY, whilst a fifth (21%) of people who work in the area commute from outside - 67,000 in absolute terms. Commuting links are strongest with Leeds and the East Riding in terms of both inward and outward flows (with Bradford also significant as an outward commuting destination). Overall, the LEP area’s inward and outward commuting flows are close to being in balance.

A key characteristic of the LEP area is its **rural nature and remote workplace and residential locations**. Combined with a lack of transport options, this presents a particular challenge to local employers in addressing their skilled labour needs and results in hard-to-fill vacancies.

YNYER[4] has a very high prevalence of **home working**, with 19% of people in employment mainly working from home according to the latest data available, which pre-dates Covid. York and North Yorkshire has a relatively high proportion of jobs that lend themselves to home working. In the context of Covid-19 this is a major strength, contributing to increased resilience in the local economy.

A key strength of the LEP area is the **qualification profile** of its labour force. The proportion of local people qualified at tertiary level (level 4 and above) is slightly higher than the national average (41% versus 40%), whilst the proportion with no formal qualifications is smaller (5% versus 7%). YNY LEP is ranked second out of all northern LEPs (behind Cheshire and Warrington) both with regard to the proportion of people qualified below level 2 and in respect of people qualified at level 4 and above. The LEP area has seen a steady improvement over time in its

[4] The latest data available cover the previous geographic definition of the LEP area i.e. including the East Riding.

qualification profile, both in terms of growth in the proportion of people qualified at a high level and an ongoing reduction in the proportion qualified below level 2.

The LEP area's overall performance against the main accountability measures at **Key Stage 4** is well ahead of the national average. This strong performance is reflected at district level with the notable exception of Scarborough, which consistently under-performs, although Richmondshire is below the national average for some indicators. The proportion of people achieving level 2 equivalent by the age of 19 in the LEP area is 86%, 3 points above the national average, whilst 61% of young people in the LEP area are qualified at level 3 by age 19, 1 point above the national average.

There was a **pronounced fall in apprenticeship starts of 21% in 2019/20**, primarily due to the impact of Covid-19. This also exceeded the national average rate of decline of 18%. Hardest hit were intermediate apprenticeships and the three subjects of Business, administration and law, Retail and Commercial Enterprise and Health, public services and care. The decline was associated with the impact of Covid-19 as the imposition of lockdown resulted in the closure of colleges and some employers were unable to start or continue apprenticeships as planned. This impact was largely registered on starts in quarters 3 and 4 of the academic year (March to May and June to August), with starts running at 69% of the previous year in quarter 3 and only 52% in quarter 4.

Higher apprenticeship provision is narrowly concentrated in subject terms, and there is little sign that this is changing over time. In 2019/20 74% of all higher level starts fell within Business, administration and law and Health, public services and care subject areas. The number of higher apprenticeships in the technical areas of construction, engineering and information technology have all grown in the last three years but from a low base; they currently account for 6%, 3% and 6% of total higher apprenticeship starts respectively. This constrains the responsiveness of provision to the full range of higher-level skills needs, including in technical subjects.

There are issues around the **inclusiveness of apprenticeships** with regard to access for the disadvantaged and gender segregation. All districts in the LEP area, with the exception of Harrogate, have overall apprenticeship entry rates following Key Stage that are above the national average. However, all districts had apprenticeship entry rates for disadvantaged pupils that were lower than for other pupils in 2018/19. Apprenticeships are highly segregated by gender and subject, reflecting a broader national pattern. For example, 86% of starts on health, public services and care apprenticeships were for females but the proportion of female starts in Construction, planning and the built environment was only 4%.

During 2019/20 academic year, 10,784 YNY people (aged 19+) participated in classroom-based **adult education courses** funded by government, with a further 5,840 participating in Community Learning. The number of Education and Training and Community Learning participants both fell in 2019/20, by 13% and 8% respectively.

Adult education provision in the LEP area is weighted towards qualifications at or below level 2 (three-quarters of learners are studying at these levels) and is concentrated in subjects like Health and social care and Retail and commercial enterprise. Within **Community Learning**, Crafts, creative arts and design accounts for a quarter of all CL learners.

Performance on **apprenticeship achievement rates** shows that residents of the LEP area have access to provision of a relatively high quality. The overall achievement rate of YNYER[5] at 69% is 4 points higher than the national average and The LEP area outperforms the national average on all key dimensions of achievement rates (age, level etc.). A ranking of LEPs' overall achievement rates places YNYER seventh out of 38 LEPs.

Positive destination rates for apprenticeships and other FE / skills provision are relatively strong locally. All districts in the LEP area, except for Ryedale and Scarborough, have sustained positive destination rates for apprenticeships that are equal to or ahead of the national average. Rates are consistently at or above 90% for apprenticeships. For wider FE / skills provision only one district, Scarborough, falls below the national average.

The LEP area has a significant **higher education footprint** with 26,100 student enrolments at its two higher education institutions during the 2018/19 academic year. HE provision in local institutions is strongly focused on biological, physical and mathematical sciences, plus social studies, languages and historical and philosophical studies; with under-representation in computer science, engineering and technology, architecture, building and planning, as well as business and administrative studies, mass communications and documentation and creative arts and design.

The economic benefit that local areas derive from their higher education institutions is to a large extent determined by the degree to which **qualifiers remain in the area following graduation**. Two-fifths of graduates from YNY institutions are retained in Yorkshire and the Humber one year after qualifying, although this proportion remains largely steady to the 5-year point. York St John University has a much higher retention rate, reflecting the fact that it recruits many of its students from the local area.

Local **entry rates into higher education** are relatively strong. However, the LEP area performs poorly with regard to entry rates for pupils who are eligible for free school meals. North Yorkshire, York and the LEP area as a whole all perform below the national average in this regard. Accordingly, they are also characterised by wider than average gaps between the entry rates for disadvantaged and non-disadvantaged pupils. Entry rates into HE have seen an upward trend for all groups in recent years. However, this has not led to a sustained reduction in the progression rate gap.

Inclusive access to employment is central to fostering opportunities for individuals and broadening the supply of labour available to employers. In line with its strong general employment performance, disadvantaged groups perform well relative to the national average in terms of accessing employment. For example, the employment rate for disabled people is 7 points higher locally than nationally. However, disabled people and older workers still face marked employment rate gaps of 22 points and 15 points respectively.

With YNY businesses making an estimated £600m annual investment in staff skills and a majority of the 2030 workforce already in employment, activity on **workforce**

[5] Achievement rate data are only available for the previous footprint of the LEP area, which includes the East Riding.

development is central to improving the local skills base. 61% of employers in the LEP area provide some form of training to their staff, the same proportion as the England average. At the same time, 59% of staff received training during 2019/20, similar to the national average of 60%. There have been some modest changes against these indicators between 2019 and the previous survey in 2017, with the proportion of establishments providing training falling by 3 points but the proportion of staff receiving training has increased by 2 points. The largest volume of training in YNY is undertaken in the business services sector but staff in the health sector are most likely to receive training.

However, it is important to **view training attitudes and behaviour in the context of business need**: 37% of local employers acknowledge that they under-invest in training from this perspective. The key constraints relate to a lack of funds for training and an inability to spare staff time. The key challenge is to make a persuasive case for training as a business investment that will deliver suitable returns in the form of improved business performance.

Another key challenge relating to workforce development is **unequal access to job-related training**. Local people are slightly more likely to undertake job-related training than nationally, with 21% receiving training in the previous 13 week period compared with the national average of 19%. YNY performs well across the board in terms of access to training for various groups in the workforce relative to national counterparts. However, some workforce groups are significantly less likely to undertake job-related training than others, both locally and nationally, with a potential impact on prospects for pay and progression. For example, workers who are already qualified to a high level (level 4+) are, by a significant margin, more likely to receive training than their less qualified colleagues.

The **physical accessibility of education and training services** is a particular issue within the rural parts of the YNY LEP area. For example, the average travel time to college by public transport or on foot is more than twice as high for Ryedale (46 minutes) as for York (21 minutes). Meanwhile, 29% of learners resident in YNYER travel outside the LEP area entirely to study, in addition to the 13% who travel between districts within the LEP area.

Mapping of skills demand and supply

Where skills mismatches are acute and persistent, there can be significant implications for business performance. This kind of market failure presents a policy priority but also offers an opportunity for individuals considering their career options to target areas of unmet demand. Should structural changes on the demand-side result from Covid-19 and Brexit these could lead to the emergence of new mismatches or the intensification of existing ones.

Skill shortages are vacancies that are difficult to fill due to a lack of candidates with the required skills. Around a fifth of vacancies in the LEP are skill shortages.

Construction, manufacturing and primary/utilities are the **sectors most susceptible to skill shortages** in YNY. Shortages have a very high prevalence in skilled trades occupations. The skills that employers find most difficult to obtain from applicants are principally specialist, job-specific skills and knowledge required to perform the role (for 59% of shortage vacancies). However, other skills including customer handling, team working and time management are also highlighted.

Drilling down into the more detailed **occupational pattern of shortages** across Yorkshire and the Humber, the highest prevalence of shortages is among higher skilled occupations with significant technical requirements, including health professionals and STEM professionals plus a range of skilled trades.

The causes of **hard-to-fill vacancies** are not confined to lack of the required skills among applicants. There is also a range of contextual factors that hamper employers when recruiting. Employers in the LEP area are especially likely to highlight issues with poor terms and conditions offered for the post, perhaps reflecting the large number of lower-paid roles in YNY; and remote location / poor public transport, reflecting the rural nature of North Yorkshire.

Skills gaps are another form of skills mismatch and come about when existing employees within an organisation are not fully proficient in their job and are not able to make the required contribution to the achievement of business or public service objectives. The pattern of skills gaps provides a useful indication of employers' needs in terms of workforce development.

13% of employers in the LEP area are affected by a lack of proficiency among existing staff. There are approximately 17,000 gaps, equivalent to around 5% of total employment in YNY. This is similar to the national picture, in terms of the proportions of employers and workers affected by skills gaps. The proportion of employers who report having a skills gap is slightly higher in York at 16%, compared with North Yorkshire at 12%. This may reflect the sectoral make-up of employment in York and its reliance on activities such as hospitality and retail, which are highly susceptible to skills gaps.

Hotels and restaurants, wholesale / retail and manufacturing are the sectors most affected. Lower-skilled elementary and sales / customer service occupations, together with administrative roles, are most susceptible to gaps.

People in higher skilled roles are less likely to have skills gaps, with the key exception of managers. **Gaps in management proficiency are an issue for a significant proportion of organisations** with major implications for wider workforce development and business performance.

Many skills gaps pertain to operational skills and are caused by staff turnover and the need to train new recruits. However, some gaps are driven by deficits of complex analytical skills and digital skills. Many workers with skills gaps need to improve their soft skills, in areas such as time management, team working, customer handling skills and persuading / influencing others.

Mismatches are not solely caused by a deficit of workers' skills; **under-utilisation** of skills is also an issue. Just over a third (36%) of employers in the LEP area say that they have workers whose skills / qualifications are in advance of those needed for the job; this is slightly above the national average of 34%. The survey data suggest that underutilisation has a higher incidence in North Yorkshire at 38% than in York at only 25%. This issue matters because an inability to use acquired skills and knowledge has a de-motivating effect on workers and represents a missed opportunity for employers to maximise productivity.

A structural mismatch between the occupational background and skills of the jobless and the requirements of the labour market acts as a barrier to employment for this group. Compared with the occupational profile of current employment **the unemployed and inactive are much more likely to have an occupational background in lower-skilled occupations**, principally elementary but also sales and customer service, plus caring roles and operative roles in the case of the inactive. The proportion of unemployed and inactive people with a background in higher skilled management, professional and associate professional is less than half that of people in employment (16% versus 43%). Moreover, the jobless are disadvantaged by their qualification profile. Both the unemployed and the inactive are less likely to hold a qualification at a higher level (level 4+) than the employed and are more likely to hold a low-level qualification or have no formal qualifications at all.

This report provides an indicative comparison of **the subject profile of further education and skills provision**, relative to the profile of demand in the labour market, based on projections of future recruitment need by occupation. This shows a strong alignment between apprenticeship provision and labour market need, which is perhaps to be expected since apprenticeships are jobs with training. However, the subject profile of classroom FE (Education and Training) differs from the profile of labour market demand. There are a number of areas where achievements outweigh job openings, most notably Arts, media and publishing and Leisure, travel and tourism. Agriculture, horticulture and animal care and Health, public services and care also account for a high proportion of education and training achievements relative to job openings. Conversely, there are areas that are markedly under-represented in terms of FE achievements: most notably Business administration and law and Retail and commercial enterprise.

Applying the same approach to higher education, **comparing the profile of HE achievements with the profile of labour market demand**, in the form of job openings in higher level occupations, highlights similar disparities. There are several areas where supply is low relative to estimated demand. Key instances are Computer science and Architecture, building and planning. However, the most noticeable area of apparent undersupply is for business and administrative qualifiers. Conversely, there are subject areas in which supply, reflected in the proportion of qualifiers relative to the proportion of openings, appears to be high. This is the case for Creative arts and design and Social studies.

As with the FE comparison, a key caveat to note is that skills developed in a particular subject area have transferability. This is a likely explanation for the fact that the proportion of people who qualify in Science, engineering and technology subjects outweighs the estimated recruitment requirement for directly related roles in the labour market.

Around 6% of people in employment (141,000) across Yorkshire and the Humber are **EU migrants,** somewhat lower than the England average of 8%. The level of EU migrant worker employment is largely unchanged compared with last year's report, which may mean that overall labour supply issues arising from Brexit prove to be moderate, at least in the short-term.

Large numbers of EU migrants work in manufacturing, wholesale and retail, transport and storage and health and social work. There is a high intensity of migrant employment in sectors such as food manufacturing, which are a key part of the YNY economy.

Just over a quarter (28%) of migrants work in higher skilled roles with many concentrated in routine roles; for example, more than a quarter of elementary process plant and a fifth of elementary storage roles are undertaken by EU migrants.

There is evidence that the influx of EU migrants into the local labour market is reducing. According to figures from the Department for Work and Pensions the number of EU nationals registering for a National Insurance number (NINo) within York and North Yorkshire declined by 49% between 2018/19 and 2019/20[6]. This means that registrations are around a third of their peak level in 2015/16.

The LEP area has more people working in high skilled jobs in the LEP area workplaces than it has economically active people qualified at level 4 and above. The trends suggest that the local area has been successful in terms of increasing employment in higher skilled jobs alongside steady growth in the number of people who are qualified to a higher level.

[6] A NINo is generally required by any overseas national looking to work or claim benefits / tax credits in the UK, including the self-employed or students working part time. NINo statistics are a measure of in-flow to the UK, primarily for employment, including both short-term and long-term migrants and include foreign nationals who have already been in the country but not previously required a NINo as well as migrants who may have subsequently returned abroad.