

**DERBYSHIRE COUNTY COUNCIL**

**CABINET**

**10 January 2017**

**REPORT OF THE CHIEF EXECUTIVE**

**DERBYSHIRE ECONOMIC REVIEW – DECEMBER 2016  
(Strategic Policy, Economic Development and Budget)**

**1. Purpose of the Report**

To present the latest Quarterly Economic Review – December 2016 to Cabinet.

**2. Information and Analysis**

**Background**

The Derbyshire Economic Review is a quarterly economic update produced by the Council. The update, which is attached at Appendix A for consideration, provides an overview of the current economic conditions in Derbyshire and summarises key economic trends to support broader discussions and policy developments across the Authority. The Review also supports and facilitates the delivery of partnership activity, most notably through the Derbyshire Economic Partnership, the D2N2 (Derby, Derbyshire, Nottingham and Nottinghamshire) Local Enterprise Partnership (LEP), and the D2N2 Infrastructure and Investment Board. The Economic Review is available electronically on the Derbyshire Observatory at the following link <http://observatory.derbyshire.gov.uk/IAS/lea/>

**Summary of Key Findings**

The key findings for the latest quarterly review are outlined below:

- The level of economic growth has risen in Derbyshire in the third quarter of 2016 compared to the area covered by the East Midlands Chamber of Commerce (EMCC) (Derbyshire, Leicestershire and Nottinghamshire) which has seen a fall. This is the first time for over two years that economic growth in the county has been on a par with that regionally. It is too early to say if Derbyshire's firms are faring better with uncertainty following the Brexit vote than their regional counterparts but this is a positive result. The impact of the 2008/09 recession was delayed in the county so it is possible that there could be a delayed impact locally to the vote, so it will be important to keep track of this.
- One of the key differences between the county and EMCC area is the bounce in export orders that has been seen locally this quarter, which may well reflect a

boost to Derbyshire's manufacturing base as a result of the weakening in the pound since the referendum. This appears to be feeding through to recruitment plans with a number of firms looking to expand. However, firms across Derbyshire, as with the EMCC area, appear to be less optimistic about the future. This is a concern and it will be important to see how business confidence fares in the final quarter of 2016.

- The claimant count unemployment rate in Derbyshire, based on a count of all people claiming Jobseekers Allowance as well as out of work Universal Credit claimants, is currently 1.2%, lower than the England rate of 1.8%<sup>1</sup>. Following a prolonged period of decline, the rate in the county has been relatively stable since the early part of 2016. However, hotspots remain in Derbyshire where the rate remains persistently high including parts of Gamesley, Ilkeston and Chesterfield.
- The proportion of Derbyshire's JSA unemployment claimants who have been out of work for more than a year is at 33.8%. The proportion locally and nationally has been creeping up since the early part of 2016, however the proportion in Derbyshire has risen above the England figure and the gap is widening. The current level is 2.8% points above the England proportion and the highest it has been for nearly 20 years.
- The youth unemployment rate in Derbyshire stands at 2.1%, similar to the figure for England. The rate has been fairly stable during 2016 following a general fall since the economy came out of recession. However, the proportion of young people who have been out of work more than a year is relatively high at 29.2%, being some 9.4% points higher than the England average. The youth long-term proportion has been rising for more than a year now and this is a cause for concern with particularly high levels shown by Erewash (42.9%) and Bolsover (35.7%).
- There has been a steady fall over the last six years in the proportion of residents claiming an Out-of-Work Benefit (OoWB). In May 2016 the proportion of the county's residents claiming an OoWB was 8.3%, the lowest it has been since this indicator was first published in 1999. Additionally, there are now just two wards where more than 20.0% of 16-64 year olds are claiming an OoWB. These are both in Chesterfield (Loundsley Green and Rother).
- There has been some positive news on jobs this quarter, with a number of organisations expanding. This includes a doubling of the workforce at Derby Conference Centre to 300, plans by Derbyshire Police to take on an extra 240 officers over the next three years, and an announcement by Jet2.com that it is to create 80 jobs at East Midlands Airport. Additionally, Citipost recently announced it is to create 50 jobs at its South Normanton site, a pub/hotel in Wessington will be creating 45 jobs when it opens in November, and accountancy firm PwC is taking on more than 40 students and graduates at its Castle Donington Office as part of its 2016 intake. The only negative this quarter was the sudden closure in October of Belper based retail outlet De Bradelei Stores with the loss of around 60 jobs.
- The economic activity rate in Derbyshire has risen once again with 81.0% of the county's working age population being economically active. This improvement is reflected in the employment level which has increased by 1.0% points on the

previous quarter to 78.7%, the highest it has been in over 10 years. Over 380,000 residents in Derbyshire are now in employment, with the improvement having seen the gap with England widen to nearly 5.0% points. Bolsover, Amber Valley and North East Derbyshire have seen the greatest rises. Additionally, self-employment levels have increased for the third quarter in succession, although the county's self-employment rate remains around 2% points lower than the national figure.

- The average price of a house in August 2016 in Derbyshire was £163,998, more than 30% lower than the £235,573 average for England. The price of houses locally has been rising steadily since Spring 2013, however the gap with England continues to widen. Despite this it is positive that prices in Derbyshire are currently 6.5% higher than their pre-recession peak.

### **'In focus' topic – 'Skills in Derbyshire'**

Skills are one of the key drivers underpinning economic growth, but the skill requirements of the labour market are changing. In Derbyshire the next decade is forecast to see a decline in the county's biggest sector, manufacturing, as well as some public services, whilst the private service sector and construction are predicted to grow. Occupations are also changing, with a continued trend to more highly skilled, white collar occupations.

How well placed is the county to deal with the skill demands of the future? Attainment at GCSE level is on a par with that nationally, however it is a concern that there is a 16.3% point difference between the best and worst performing districts in the county. Similarly whilst the qualifications profile of Derbyshire's adult workforce has greatly improved over recent years, fewer residents hold degree level qualifications than England (33.2% compared with 36.8%). Improvement in the levels of higher level skills in Derbyshire will be essential to driving productivity growth in the county. However, the county's firms will still need to draw on those who have medium level skills, a strength in Derbyshire, or indeed lower levels of qualifications. It will not just be highly qualified people who are required in the local economy in the future.

Analysis of data from the National Employer Skills Survey helps to give the employer perspective on skills for the county. It shows that the recent buoyancy in the labour market is presenting a growing challenge for firms, with the proportion of hard-to-fill vacancies because of a skill shortage increasing from 14% in 2013 to 25% in 2015. In addition to issues in recruiting employees, Derbyshire firms report skills mismatches within the existing workforce.

Of the county's 284,700 employees, over 15,000 have insufficient skills needed by employers, and yet 23,300 employees have skills that are being under-utilised. The extent of these mismatches is no different in Derbyshire to nationally, but does raise issues about the ability of economic growth to be maximised in the future, and will require all stakeholders to play their part whether from the education or business sectors.

### **3. Equality and Diversity Considerations**

Despite employment rates being at a 10 year high and unemployment rates falling, there is a core of unemployed residents who have been out of work for more than a year. 1,300 residents in Derbyshire remain long-term unemployed, representing 33.8% of all unemployed claimants. This is the highest long-term proportion for nearly 20 years and has been increasing over recent months. Youth unemployment is also an issue in some parts of the county, for example in Elmlton-in-Creswell and Rother more than 6% of young people are out of work.

Individuals need to have opportunities to gain skills and experience to get back into work. It is important that two ongoing policy initiatives across the D2N2 Local Enterprise Partnership take account of this. Firstly the Area Based Review of post-16 learning provision and secondly the refresh of the Regional Skills Strategy.

Additionally, it is important that the Council's apprenticeship and work placement schemes reach out to all young people in the county to help them make the transition from education to employment. The Council has Gold Standard Accreditation for work experience placements with these open to all via a work experience application form on the DCC website. Similarly, apprenticeship opportunities are publicised via the website as well at all school and college events that DCC attends throughout the year.

### **4. Social Value and Other Considerations**

Derbyshire County Council is committed to ensuring that extra social, environmental and economic benefits are secured for the county through the purchasing of goods and services. Work to address inequalities in the labour market through the Area Based Review, Regional Skills Strategy and apprenticeship scheme will contribute to a number of actions under the Derbyshire Social Value Framework. This includes supporting young people in the county into training or employment by delivering relevant support to the local careers education offer, and improving the skills levels of existing staff within the county by training the workforce to level 2, 3 and 4.

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, human resources, environmental, health, property and transport considerations.

### **5. Key Decision**

No

### **6. Call-in**

Is it required that call-in be waived in respect of the decisions proposed in this report? No.

## **7. Background Papers**

Files and supporting papers are held in the Policy and Research Division, Chief Executive's Office.

## **8. Officer's Recommendation**

That Cabinet note the information presented within the Derbyshire Economic Review – December 2016 and that the findings be used to support future service planning and policy development.

**Ian Stephenson**  
**Chief Executive**

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<sup>1</sup> Universal Credit is currently being rolled out across the UK, and is designed to support people who are on a low income or out of work. It is replacing Income-based Jobseeker's Allowance, Income-related Employment and Support Allowance, Income Support, Child Tax Credit, Working Tax Credit, and Housing Benefit.

# Policy and Research, Chief Executive's

## Derbyshire Economic Review - December 2016

### Introduction

This document gives a brief overview of the latest statistics and news on the Derbyshire<sup>1</sup> economy both in a national and local context. The report provides a “snapshot” of the Derbyshire economy, to help inform the development and delivery of future economic strategies in the area. It is primarily based on evidence available from the Derbyshire Observatory, which is a single information source for partners and organisations across the county. The update also provides information on an ‘In focus’ topic, in this edition: ‘Skills in Derbyshire’.

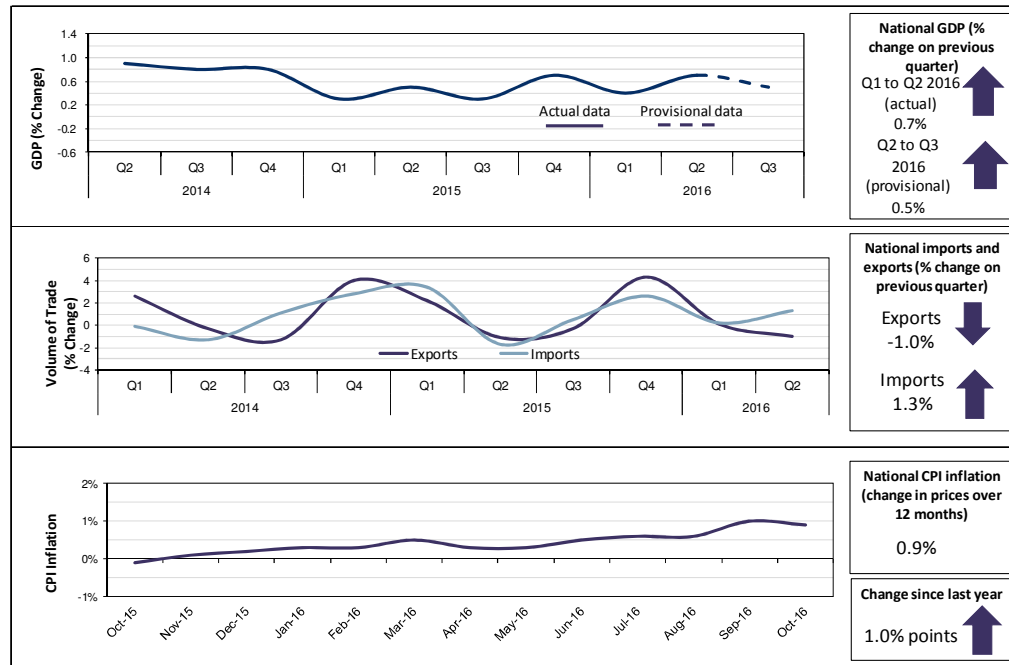
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### Overview

- The UK economy expanded by 0.5% in the third quarter of 2016. This is the first full quarter of GDP data since the EU Referendum and although it shows a decline on the 0.7% the previous quarter, it is stronger than analysts’ estimates of 0.3%. The Office for National Statistics has said that the pattern of growth following the Referendum appears to be broadly unaffected to date.
- The Consumer Prices Index (CPI) inflation rate monitors changes in the price of goods and services purchased by households. The CPI rate was 0.9% for the 12 months to October, a slight dip on 1.0% the previous month. However, the weakening of the pound since June is predicted to lead to upward pressure on prices in the coming months.
- The level of economic growth has risen in Derbyshire in the third quarter of 2016 according to the East Midlands Chamber of Commerce’s State of the Economy Index, whereas the region has seen a fall. This is the first time for over two years that economic growth in the county has been on a par with that regionally. It is too early to say if Derbyshire’s firms are dealing with the uncertainty following the Brexit vote better than their regional counterparts. However this is a positive result.
- The employment rate in the county has risen to 78.7%, the highest in 10 years.
- The overall claimant count unemployment rate in Derbyshire stands at 1.2%, below the 1.8% for England. However, hotspots remain where the level is relatively high including Gamesley (3.5%) in High Peak; Ilkeston North (3.4%), Cotmanhay (3.3%) and Ilkeston Central (3.1%) in Erewash; and St Helens (3.3%) and Rother (3.2%) in Chesterfield.
- 33.8% of Jobseeker’s Allowance claimants in the county have been out of work for more than a year. This is above the national average of 30.9% and has been rising since the early part of the year.
- The youth unemployment rate has been virtually unchanged since the early part of the year, and stands at 2.1%, similar to that nationally (2.2%). The number of wards where the youth rate is more than double the national rate has fallen from 13 to seven this quarter with the highest rates being in Elmlton-with-Cresswell (6.2%), Rother (6.1%) and Ilkeston North (5.8%).
- The average house price in Derbyshire is £163,998, an annual increase of 6.5%. Although prices locally are rising, the gap continues to widen with England, where the annual increase was 9.2%.

## National Performance Indicators



According to provisional data, national Gross Domestic Product (GDP), the main national indicator of economic growth, is estimated to have increased by 0.5% in the third quarter of 2016<sup>2</sup>. This is the first release of GDP covering a full quarter of data following the EU referendum. It is a slight decline on the 0.7% growth the previous quarter but is stronger than analysts' estimates of 0.3%, and shows that the pattern of growth appears to be broadly unaffected to date. However, strong growth of 0.8% in the service sector, boosted by consumers' willingness to keep spending, has offset falls in the other three industrial groupings. Construction decreased by 1.4%, agriculture by 0.7% and industrial production by 0.4%. The manufacturing element of the latter fell by 1.0%, although this is seen as an unwinding of the large growth spike seen in the second quarter, rather a scaling back of production. The UK trade balance widened from -£12.2bn to -£15.7 in quarter 2 of 2016<sup>3</sup>.

Following a 0.1% increase in quarter 1 of 2016, exports have decreased by 1.0% in the latest quarter, while imports increased by 1.3% in quarter 2 of 2016 following a 0.2% increase in quarter 1 of 2016. These figures relate to the period prior to the EU

Referendum, so it is too early to see the impact of the Brexit vote on the trade balance. However, it will be important to see how the relationship between imports and exports is affected by the weakened pound, which has fallen in the aftermath of the vote. Although this may give a boost to exporters, it can also lead to an increase in the cost of imports.

The annual CPI inflation rate currently stands at 0.9% for the 12 months to October 2016<sup>4</sup>, a marginal increase on the figure of 1.0% for September. This was slightly below the 1.1% rate predicted by economists who thought sterling's fall would push the rate up again. However, there are signs that the pressure in prices is starting to build. The cost of raw materials rose in October and the cost of manufactured goods 'at the factory gate' rose by 2.1% in October, the biggest increase since April 2012. With the pound falling by 16% against the dollar since June and 11% against the Euro it is thought that price rises in retailer supply chains will soon lead to higher prices for consumers and therefore upward pressure on inflation.

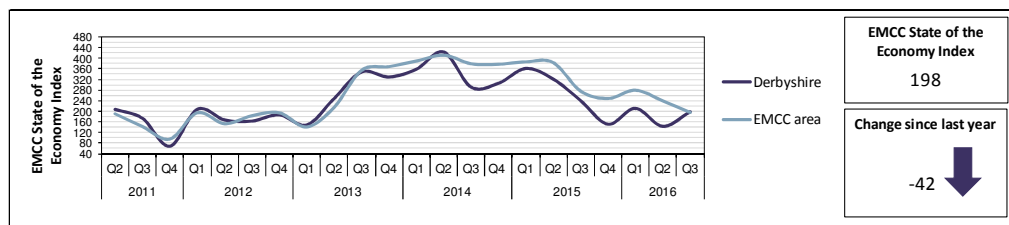
The Bank of England (BoE) has left the interest rate at 0.25% in November<sup>5</sup>. There had been speculation that there would be a further fall following the 0.25% cut in August to boost the economy. However the BoE's Monetary Policy Committee voted 8-1 to keep it at the same level and stated that the inflationary position means a rise is no longer possible. It feels that the economy has held up better than expected following the Brexit vote, and revised its economic growth forecasts up for both 2016 and 2017. However, the BoE believes that there are still problems ahead and has revised its forecast down for 2018, when Brexit negotiations are scheduled to come to a head. The BoE highlighted the following national trends as at November 2016<sup>6</sup>:

- Consumer spending has recovered further.
- Business services growth has increased a little since August but remains modest.
- Manufacturing output has increased modestly aided by sterling's depreciation.
- Construction output has eased
- Investment spending is likely to be stable or slightly lower in the year ahead
- Credit demand from businesses has remained subdued
- Investor demand for UK commercial real estate has continued to recover.
- Private sector employment is predicted to be stable over the six months ahead

More information can be found at:

<http://www.bankofengland.co.uk/publications/Pages/agentssummary/default.aspx>

### Business Conditions



Quarter three of 2016 has seen a rise in the level of economic growth for Derbyshire, according to the East Midlands Chamber of Commerce's (EMCC) most recent Quarterly 'Economic Survey'. With the regional figures showing a fall, there has been a significant closing of the gap and the county's economic growth is now on a par with that for the EMCC area, a position it hasn't been in for over two years. It is clearly a time of economic uncertainty and time will tell if this is an anomalous finding but the difference in the direction of travel locally and regionally in the first full quarter of data since the Brexit vote, is of interest.

One of the key differences is the bounce in export orders that has been seen locally this quarter, which may well reflect a boost to Derbyshire's manufacturing base as a result of the weakening in the pound since the referendum. This appears to be feeding through to recruitment plans with a number of firms looking to expand. However, firms across Derbyshire, as with the EMCC area, appear to be less optimistic about the future. This is a concern and reflects the current uncertain political climate. The favourable exchange rate for exporting also means that importing becomes more expensive, and firms have identified future prices as an issue this quarter.

### Investment

The Derbyshire Economic Partnership received seven enquiries from firms seriously looking to invest in the county<sup>8</sup> between August and October 2016, bringing the total for 2016/17 to nine. This is considerably lower than the 22 in 2015/16 and reflects uncertainty from businesses highlighted previously. The Bank of England recently said uncertainty around the future of international trading relationships could hit investment, making it hard for businesses to know if they should make big spending decisions. The Derbyshire figures seem to reflect this.

However, over the past quarter at Markham Vale, Great Bear Ltd have started work on the internal fit out of their recently completed £36m 420,000 sq. ft. distribution

centre which when fully operational will create 400 jobs. Construction is also nearing completion on the £7.6m Seymour Link Road which will bring forward a further 70 acres of fully serviced development land on Markham Vale North. Construction of a 220,000 sq. ft. distribution facility for the German car parts company, Ferdinand Bilstein Ltd, is on target for a December completion. This development will create an initial 150 jobs when operational in early 2017 with expansion plans to create a further 250 jobs over the coming years. Detailed negotiations are progressing with a new occupier for a 480,000 sq.ft logistics centre, a 58,000 sq. ft. manufacturing unit and a 91,000 food distribution warehouse. Several further enquiries were received by the [Markham Vale](#) team, one of which is progressing to detailed discussions.

### Job Losses and Gains

The following job losses and gains information relates to Derbyshire (including Derby City), and is drawn from articles in the local press between August and October 2016.

#### Job Losses

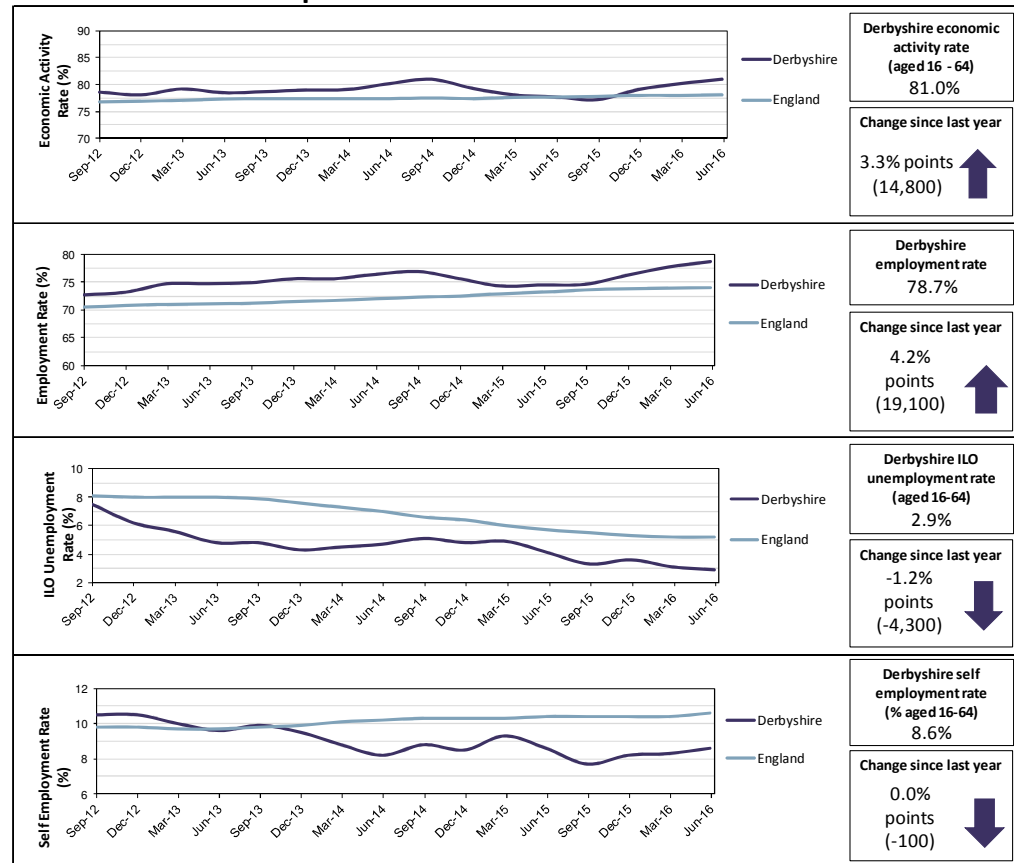
- The De Bradelei Stores retail outlet, Belper, closed at the beginning of October with the loss of around 60 jobs. However, a businesswoman has announced that she has taken on the ladieswear and homeware departments on the site, to reopen on Thursday 13 October 2016, saving at least 40 jobs.

#### Job Gains

- The number of people working at Derby Conference Centre is set to double to 300 following a recent £1m revamp.
- Derbyshire Police are looking to take on 240 officers over the next three years.
- Jet2.com reported in August that 80 jobs will be created at East Midlands Airport.
- Citipost announced in September that it is to create 50 jobs at its South Normanton site.
- A Derbyshire Country Inn hotel in Wessington will create 45 jobs when it opens in November.
- Accountancy firm PwC is taking on more than 40 students and graduates at its Castle Donington Office as part of its 2016 intake.
- More than 30 jobs are being provided at South Normanton based designer outlet McArtherGlen in the run-up to Christmas.
- Roadchef announced in August it is opening a new Spar at Tibshelf Services creating 20 jobs.
- The move in August by EWS Digital, a company that helps businesses trade online, from Wirksworth to Pride Park, Derby has created 11 new jobs.



## Labour Market Participation



Source: Annual Population Survey, July 2015-June 2016, ONS (Nomis) © Crown Copyright.

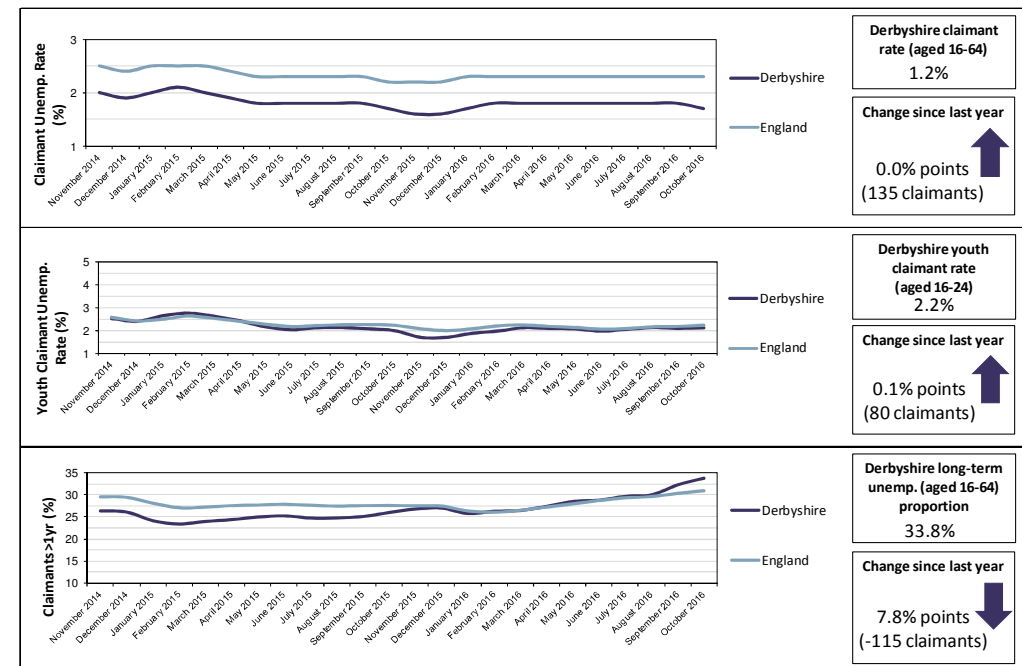
The economic activity rate<sup>9</sup> in Derbyshire has risen this quarter, to stand at 81.0%. With economic activity in England remaining unchanged there has been a widening of the gap once again. The improvement in economic activity is reflected in the employment rate<sup>10</sup>, which has risen from 77.7% to 78.7% this quarter, the highest it has been in over 10 years.

International Labour Organisation (ILO)<sup>11</sup> unemployment is regarded as the official measure of unemployment. It has a much wider definition than the monthly claimant count of unemployment and includes people who are out of work and claiming Jobseekers Allowance (JSA) or Universal Credit (UC) as well as those who are actively looking for work but not necessarily claiming unemployment related benefits.

ILO unemployment in the county stands at 2.9%, continuing the general downward trend with the rate in Derbyshire at its lowest level since the Annual Population Survey started in 2004. The local rate is lower than the 5.2% for England.

Additionally, self-employment levels have increased for the third quarter in succession, although the county's self-employment rate remains around 2% points lower than the national figure.

The claimant count unemployment rate in Derbyshire, based on a count of all people claiming Jobseekers Allowance as well as out of work UC claimants, is currently 1.2%,



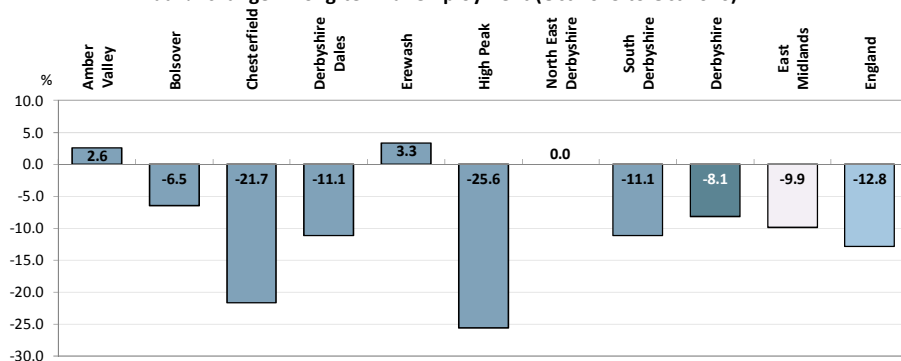
lower than the England rate of 1.8%<sup>12</sup>. Following a prolonged period of decline, the rate in the county has been relatively stable since the early part of 2016. However, hotspots remain in Derbyshire where the rate is above 3%. There are six wards where this is the case. These are Gamesley in High Peak; Ilkeston North, Cotmanhay and Ilkeston Central in Erewash; and Rother and St Helens in Chesterfield.

The proportion of Derbyshire's JSA unemployment claimants who have been out of work for more than a year is at 33.8% (1,300 residents). The proportion locally and nationally has been creeping up since the early part of 2016, however the proportion

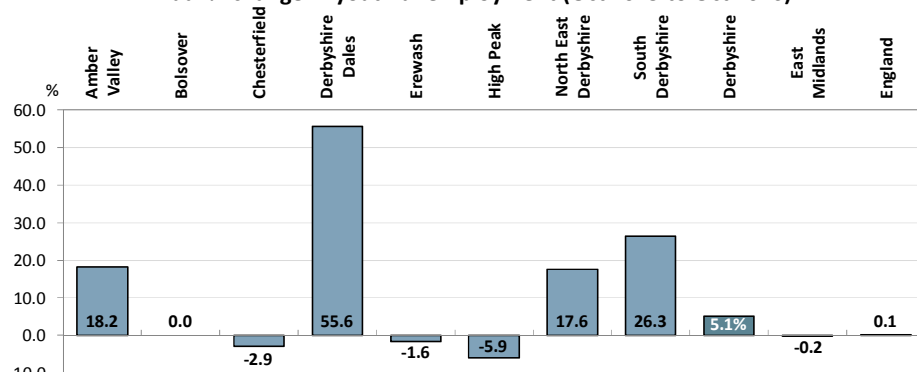
## Labour Market

in the county has risen above the England figure and is pulling away. The current level is 2.8% points above the England proportion and the highest it has been for nearly 20 years. When unemployment rates are as low as they are currently, those who have been out of work the longest can struggle the most to secure employment so an increasing long-term level can occur. However, it is a concern that a gap has opened up with England. Erewash and Amber Valley have shown increases in the number of people who have been unemployed for over a year in the last 12 months. The other six districts have shown a decline, the greatest being shown by High Peak.

Annual % change in long-term unemployment (Oct 2015 to Oct 2016)



Annual % change in youth unemployment (Oct 2015 to Oct 2016)



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

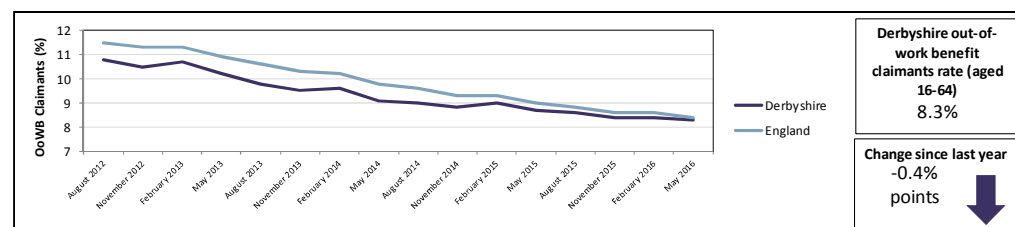
Source: JSA (long-term) and claimant unemployment (youth), October 2016, ONS (Nomis) © Crown Copyright.

## Labour Market

The youth unemployment rate<sup>13</sup> in Derbyshire stood at 2.1% in October 2016, similar to the figure for England. The rate has been fairly stable during 2016 following a general fall since the economy came out of recession. Across the county, however, there is a mixed picture. Four districts have shown an increase in youth unemployment levels over the last year, the greatest shown by Derbyshire Dales (55.6%). Increases are also seen in South Derbyshire, Amber Valley and North East Derbyshire. Three of the other four districts show a marginal decline, other than Bolsover, where there is no change.

The proportion of young people who have been out of work more than a year is relatively high at 29.2% (155 young people), being some 9.4% points higher than the England average. The proportion of young people who are long-term unemployed has been rising for more than a year now and this is a cause for concern with particularly high levels shown by Erewash (42.9%) and Bolsover (35.7%).

Ensuring those out of work and those experiencing in-work poverty are able to access opportunities in the labour market is essential. The D2N2 Local Enterprise



Derbyshire Observatory Link: <http://tinyurl.com/lea2012-oowbc>

Partnership refresh of the Regional Skills Strategy (RSS) can play an important role.

Welfare reforms have been a central part of recent Government social and economic policy. Recent analysis by Sheffield Hallam University<sup>14</sup> has estimated that ongoing reforms are reducing the benefit budget in the county by over £300mn per year. The tightening of benefit rules will be a factor in this. However, the steady fall over the last six years in the proportion of residents claiming an Out-of-Work Benefit (OoWB)<sup>15</sup> will also be a contributory factor. In May 2016, the proportion of the county's residents claiming an OoWB was 8.3%<sup>16</sup>, the lowest it has been since this indicator was first published in 1999. Additionally, there are now just two wards where more than 20.0% of 16-64 year olds are claiming an OoWB. These are both in Chesterfield (Loundsley Green and Rother).

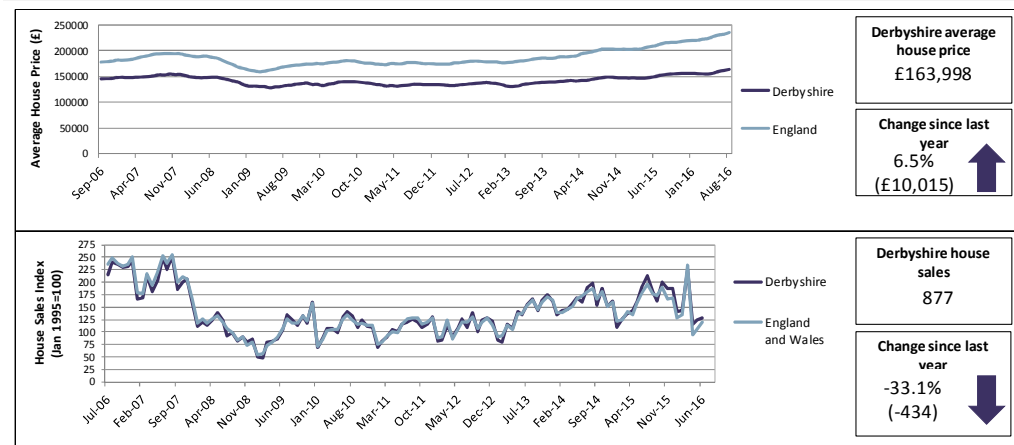
The table below provides data for some of the key benefits available.

Indicator	Number	Rate (%)		Annual change		Annual trend
		Derbyshire	England	Number	%	
Individual benefits (May 2016 except PIP, UC and JSA sanctions*)						
All Benefit Claimants	55,110	11.4	11.1	-2,060	-3.6	
Out-of-Work Benefit Claimants	40,440	8.3	8.4	-1,760	-4.2	
Employment Support Allowance (ESA)	29,620	6.1	5.6	1,270	4.5	
- Long term claimants (1yr or more)	24,000	81.0	79.4	2,840	13.4	
- 18 to 24 year old claimants	2,520	8.5	7.8	60	2.4	
Lone Parent Income Support (LPIS)	4,320	0.9	1.0	-160	-3.6	
- 18 to 24 year old claimants	1,220	28.2	25.2	-130	-9.6	
Personal Independence Payments (PIP)	12,419	2.6	2.2	4,656	60.0	
Universal Credit (UC)	3387	0.7	1.0	2,785	Too soon for a meaningful figure	
JSA sanctions	132	Numbers too small		-232	-63.7	
Household benefits (August 2016)						
Housing Benefit claimants	47,687	14.0	17.3	-1,537	-3.1	
Households affected by removal of Spare Room Subsidy	4,935	10.3	8.2	-225	-4.4	
- 1 Bedroom	4,127	83.6	83.1	-157	-3.7	
- 2 or more bedrooms	808	16.4	16.9	-68	-7.8	
Benefit Cap	98	Numbers too small		-15	-13.3	

Source: Department for Work and Pensions (DWP)/ONS (Nomis) © Crown Copyright,

Notes: \* PIP July 2016, UC October 2016 and JSA sanctions June 2016

11.4% of Derbyshire's residents are claiming benefits, including 6.1% ESA and 0.9% LPIS, similar to England's. However, as previously the proportion of residents aged 18-24 claiming LPIS and long-term ESA claimants are higher in the county. There is a lower proportion of households claiming housing benefit (14.0%) than England (17.3%) but a higher proportion of claimants have been affected by removal of the spare room subsidy<sup>17</sup>. PIPs are in the process of replacing Disability Living Allowance, so the rates are currently low although increasing each month. This is also the case for Universal Credit, with the number of UC claimants having increased by nearly 2,800 over the last year as claimants are transferred across. The majority of benefits in Derbyshire have seen a reduction in claimants. However ESA has seen an increase, in part reflecting its replacement of Incapacity Benefit, with a particular rise in the number of long-term ESA claimants. The benefit showing the greatest decline (-54.3%) is for people who have had their benefit stopped or reduced through sanctions. This will be linked to the fall in the claimant count over the last year.



Source: UK House Price Index, ONS and Land Registry, August 2016, © Crown Copyright

The average price of a house in August 2016 in Derbyshire was £163,998, more than 30% lower than the £235,573 average for England<sup>18</sup>. The price of houses locally has been rising steadily since Spring 2013, however the gap with England continues to widen. Despite this it is positive that prices in Derbyshire are currently 6.5% higher than their pre-recession peak. The highest prices are in Derbyshire Dales (£245,923) with South Derbyshire (£190,970) and High Peak (£178,154) also having values above the county average. The lowest figure is in Bolsover, at £113,025.

In the run-up to and immediately following the Brexit vote, there was a fall in the demand from new homebuyers. However, latest data from the Royal Institute of Chartered Surveyors (RICS) suggests that demand from homebuyers has risen and is a sign the housing market is settling. RICS has also reported that the number of people putting their homes on the market had fallen. This is reflected in the latest house sales data. Locally there were 877 house sales in the county in June 2016. Although this is an increase on the previous month, it represents an annual fall of 33.1%. At the national level there has been a similar picture.

RICs expects the fall in supply and the increase in buyer demand to push up prices further in the future. However, other commentators have suggested that uncertainty over the Brexit negotiations will lead to a slowdown in the number of new homes built which may dampen house price growth over the near term.

## Skills in Derbyshire

Skills are one of the key drivers underpinning economic growth. A skilled workforce supporting an innovative business base can lead to improved economic performance. However, UK productivity remains well below the average for the seven major advanced 'G7' economies<sup>19</sup>, and there is a need to ensure the right mix of skills is in place to meet current and future needs of employers.

Driving up the UK's skills base and productivity capacity is at the centre of the government's economic agenda, along with a focus on the education-to-work transition for young people. The Government has pledged to help create three million apprenticeships by 2020, to improve careers advice and Further Education, ensuring the provision of high quality vocational and academic routes. This In-Focus section discusses the latest skills data for Derbyshire in the context of policy initiatives to improve skills locally.

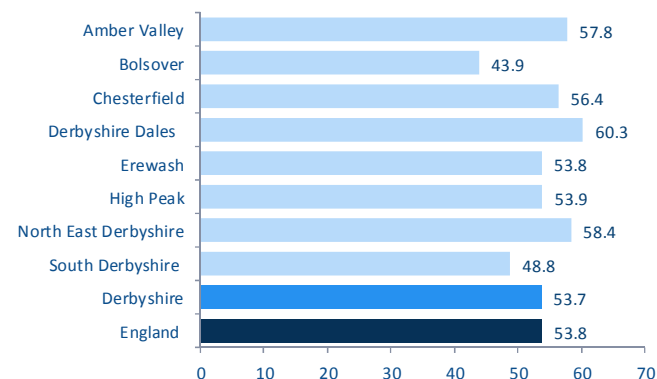
A number of factors will generate demand for skills in the future in the UK. Skill needs resulting from economic growth will require an additional 1.8 million jobs over the next ten years, with a further 13.1 million vacancies forecast to be created by people leaving the labour market, through retirements etc. Additionally the structure of the UK and local economies continues to change. In Derbyshire, the next decade is forecast to see a decline in the county's biggest sector, manufacturing, as well as some public services, whilst the private service sector and construction are predicted to grow. Occupations are also changing, linked in part to technological developments and a continued trend to more highly skilled, white collar occupations. These will all place different demands on the mix of skills needed.

### GCSE attainment

The proportion of people leaving school with five GCSEs at A\*-C including English and maths can help to indicate the potential of young people to contribute to the labour market. The latest data shows that 53.7%<sup>20</sup> of Derbyshire pupils achieved this benchmark, only marginally below that nationally.

However, there is significant disparity across the county with there being a difference of 16.4% points between the best performing district of Derbyshire Dales (60.3%) and the worst performing district of Bolsover (43.9%).

## Achievement of 5 GCSE's (A\*-C) including English and maths in 2015



### Apprenticeships

Across the county the total number of apprenticeships has increased significantly over the last 10 years. Between 2005/06 and 2014/15 apprenticeship starts have grown from 3,250 to 9,490, an increase of 192%. Apprenticeships are showing strong growth in the county, particularly at intermediate and advanced levels.

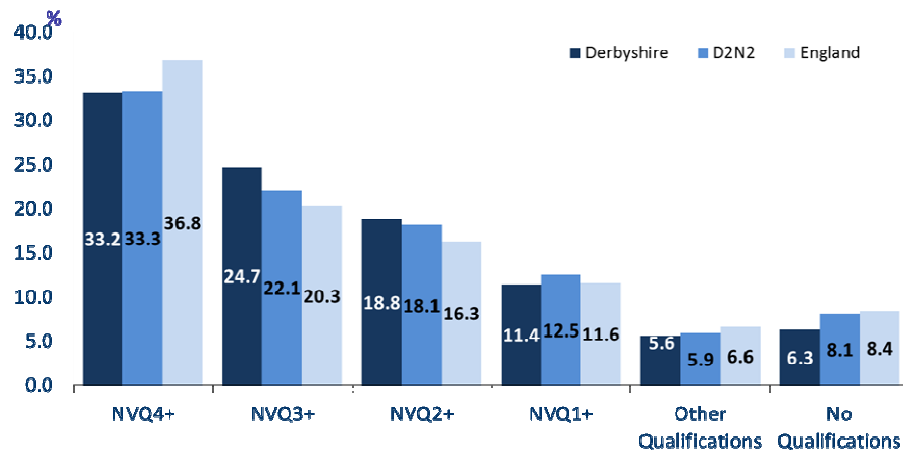
This is good from the point of view of meeting lower and middle tier occupational needs. However, to support higher value sectors that have shown consistent growth and are forecasted to continue growing, such as creative and digital industries and professional and scientific, there will be a requirement to increase the number of higher level apprenticeships.

### Workforce Qualifications<sup>21</sup>

Whilst the qualification levels of Derbyshire's working age population (16-64 years) has greatly improved over recent years, fewer residents hold degree level qualifications compared with England. However, fewer residents locally have no qualifications than nationally. Derbyshire's skills profile is therefore less polarised, and the county has more residents qualified to NVQ level 2+ and 3+ than average.

Around a third of Derbyshire's population are qualified to NVQ level 4+, compared to 37% for England. This varies significantly across the county, with High Peak (43.3%) showing the highest level of qualified residents and Bolsover (18.1%) the lowest. Improvement in the levels of higher level skills in Derbyshire will be essential to driving productivity growth in the county. However, the county's firms will still need to draw on those who have medium or lower levels of qualifications. The focus will not simply be about highly qualified people in the future.

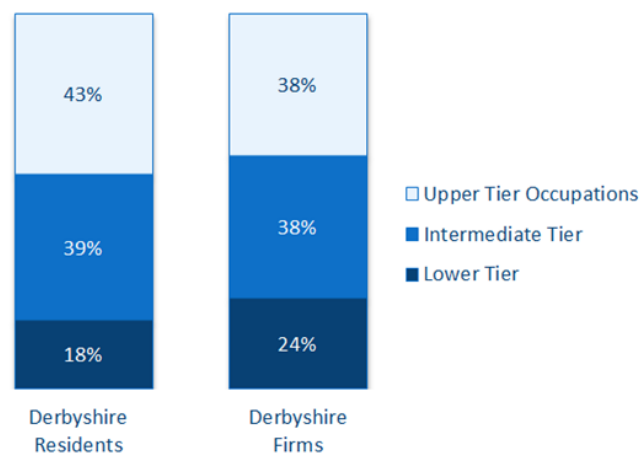
### Highest Qualification Level of People Aged 16-64 in Derbyshire



### Workforce Occupations

In March 2016, just over two fifths of Derbyshire residents were employed in upper tier occupational groups such as managers and senior professionals, just below the national average of 45%.

### Employment in Derbyshire by Occupational Group



Comparing residence based and workplace based occupations in Derbyshire, there is a clear shortfall in higher level occupations within county based firms. This suggests that a significant number of residents who work in higher level occupations travel to a workplace outside of the county, whereas those in traditionally lower paid occupations are more likely to work for local companies. This highlights the importance and demand for medium or lower levels qualifications across the county.

### Skill needs of businesses

The UK Commission's Employer Skills Survey (ESS) provides a wide range of data and intelligence about skills and the local labour market. The 2015 survey examines the practices of over 91,000 employers across the UK, exploring the skills challenges they experience both within their existing workforces and when recruiting, their use of skills in the workplace and levels of investment in training and development activities. Locally a total of 1,240 interviews were undertaken with Derbyshire employers. The key findings for the county are outlined below.

### Skills shortages

There has been substantial growth in the number of Derbyshire employers active in the recruitment market in 2015 compared to 2013. 18% of establishments reported having at least one vacancy at the time of the 2015 fieldwork, up from 11% in 2013. A total of 7,700 vacancies were reported in 2015, 3,200 more than in 2013, an increase of 68.8%. This strong growth in recruitment activity was evident at the national level, albeit not as significant as that locally, with the increase in vacancies across England being 42.5%.

The recent buoyancy in the labour market has presented a growing challenge for employers to fill their vacancies. 6% of employers in Derbyshire reported having at least one vacancy that was hard-to-fill due to a skills shortage, and the proportion of vacancies that were hard-to-fill because of a skill shortage increasing from 14% in 2013 to 25% in 2015. At the national level there has been little change with the proportion of skills shortages standing at 23% in 2015. The greatest number of skills shortage vacancies in Derbyshire were in skilled trades (448 or 39% of vacancies in this occupation), followed by professional staff (373 or 31%) and machine operatives (324 or 41%).



## Skills Gaps

Whilst the vast majority of local employers reported that they had a fully proficient workforce, 19.1% experienced skills gaps, with approximately 15,000 staff not fully proficient. This represents 5% of the county's workforce, and a number that is expanding. This may partly reflect the increase in recruitment and skills shortages, with firms being forced to take on staff not fully qualified or experienced for the role. Skills gaps can affect the bottom line, and the proportion of firms with a skills gap saying it has had a significant impact on their business has increased from 13.3% in 2013 to 17.6% in 2015.

### Proportion of employees that have a skills gap by occupation in 2015

Occupations	Derbyshire	D2N2	England
Managers and senior officials	2.6	0.9	2.8
Professionals	2.8	4	3
Associate professionals	15.5	5.8	5.5
Administrative staff	4.7	4.1	5.6
Skilled trades people	6.3	4.7	5.3
Caring, leisure and other services staff	4	4.1	4.1
Sales and customer service staff	4.4	6.1	6.6
Machine operatives	5.2	4	6.8
Elementary staff	8.5	5.8	7.1
<b>Total</b>	<b>5.3</b>	<b>4.4</b>	<b>5</b>

## Under-utilisation

The flip side to skills gaps is the perception from employers staff are 'under-utilised', a situation which can represent a missed opportunity for employers to increase performance and productivity. In the ESS Derbyshire firms reported that 23,300 employees or 8.2% of workers were in this situation.

## Training

Almost two thirds of employers in Derbyshire had arranged or funded staff training over the last 12 months, a similar proportion to that for England. Over half (55%) of employers provided on-the-job training, 45% off-the-job training and 42% provided

online/e-learning.

Whereas the proportion of employers offering training in the county is similar to that across England, the proportion of staff receiving training in the county (54.7%) is a lot less than nationally (62.6%) and also lower than the 58.9% in 2013. There is also a huge range across occupations. Over three-quarters (76.4%) of staff in caring and leisure occupations had received training in the last 12 months, however for machine operatives this was down to 38.3%. Additionally out of the nine headline occupational areas, only one, sales and customers service has a greater level of training than nationally.

## In summary

The analysis raises issues for both policy makers and businesses. Of the county's 284,700 employees, over 15,000 have insufficient skills needed by employers, and yet 23,300 employees have skills that are being under-utilised. The extent of these mismatches is no different in Derbyshire to nationally, but does raise issues about the ability of economic growth to be maximised in the future. There is a need to focus on ensuring the right skills mix is in place to meet current and future demand, including replacement demand arising from staff leaving the labour market.

The D2N2 Refresh of the Regional Skills Strategy will be looking to address some of the challenges, with, for example one of the strands being to encourage career pathways linked to local economic need across all education institutions. The Area Based Review taking place in Derbyshire should also contribute, with its aim to see a further education sector that is strong and well placed to meet the needs of employers and residents.

However, the economy cannot rely on education alone and the workplace is a vital location to develop skills. Fewer staff are trained by firms in Derbyshire than nationally, so businesses also have a crucial role to play in investing sufficiently to enable the economy to secure future growth. Two further strands in the RSS aim to focus activity here, through apprenticeships. Firstly, securing growth through apprenticeship academies aimed at priority sectors and, secondly increasing higher and degree level apprenticeships.

<sup>1</sup>Data for Derbyshire in the review does not include Derby City unless otherwise stated.

<sup>2</sup>Gross Domestic Product (GDP) Preliminary Estimate, Quarter 3 2016, Office for National Statistics (ONS) © Crown Copyright. Published October 2016.

<sup>3</sup>Statistical Bulletin, Quarterly National Accounts, Quarter 2 2016, ONS © Crown Copyright. Published September 2016.

<sup>4</sup>Statistical Bulletin, Consumer Price Inflation (CPI), October 2016, ONS © Crown Copyright. Published November 2016.

<sup>5</sup>Bank of England, Monetary Policy Committee Decisions, November 2016. Published November 2016.

<sup>6</sup>Bank of England Agents' Summary of Business Conditions, Nov 2016. Published Nov 2016.

<sup>7</sup>East Midlands Chamber of Commerce, Quarterly Economic Survey, Q3 2016. Published Nov 2016.

<sup>8</sup>Derbyshire Economic Partnership, 2015-2016. Published November 2016.

<sup>9</sup>The economic activity rate is the percentage of the working age population (age 16-64) who are employed or International Labour Organisation (ILO) unemployed.

<sup>10</sup>The employment rate is the percentage of the working age population (age 16-64) who are employed including the self employed.

<sup>11</sup>The ILO defines the unemployed as people who are without work, are available to start work within the next two weeks, and have actively sought work within the previous four weeks. This is used in the Annual Population Survey and is not compatible with the claimant count unemployment noted below.

<sup>12</sup>Claimant count unemployment is derived from administrative data generated by the system of benefits paid to people who are out of work. It is a different definition and measure of unemployment than the ILO unemployment noted above. Additionally, claimant count unemployment published by the ONS now includes Universal Credit claimants as well as Jobseekers Allowance claimants. This is now the headline measure of unemployment. Data for the youth unemployment rate is based on the Claimant Count and that for long-term unemployment is still based on Jobseekers Allowance claimants.

<sup>13</sup>Youth unemployment relates to people aged 16-24. The rates at ward level are unofficial and have been calculated using population figures from the 2015 Mid-Year Population Estimates.

<sup>14</sup>The Uneven Impact of Welfare Reform, The Centre for Regional Social and Economic Research, Sheffield Hallam University. Published March 2016.

<sup>15</sup>Out of Work Benefits relates to the population claiming Job Seekers Allowance, Employment Support Allowance, Incapacity Benefit, lone parents and others on income related benefits.

<sup>16</sup>DWP Benefits, February 2016, ONS (Nomis) © Crown Copyright. Published August 2016.

<sup>17</sup>Housing benefit spare room subsidy is shown as a % of those households claiming housing benefit.

<sup>18</sup>UK House Price Index, ONS and Land Registry, August 2016, © Crown Copyright. Published October 2016. The UK House Price Index is an experimental measure introduced in June 2016 and is replacing the previous house price indices published separately by ONS and the Land Registry.

<sup>19</sup>The Group of Seven is an informal bloc of nations consisting of the USA, Canada, France, Germany, Italy, Japan, and the UK that meets annually to discuss issues such as economics and security.

<sup>20</sup>Derbyshire County Council, Children's Services, 2015. Published 2016.

<sup>21</sup>Annual Population Survey, ONS © crown copyright, Jan 2015-Dec 2015. Published April 2016.

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