

Closing the £10 billion output gap

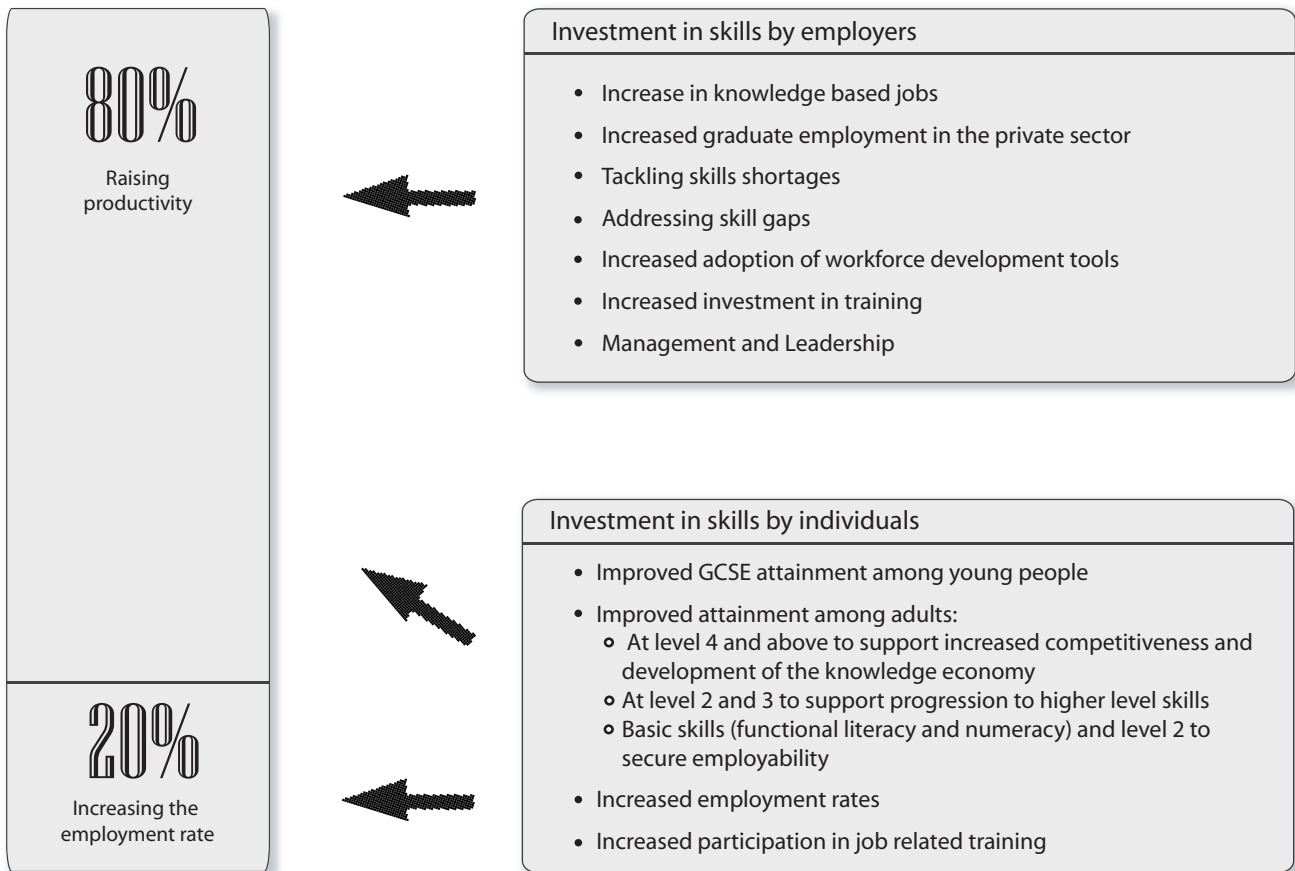
The regional economy is under-performing and a key challenge for the Region is to address a **£10 billion output gap** (compared to what Gross Value Added would be in the Region if it produced wealth at the current national average per head of population). The key drivers of the output gap are low productivity (accounting for 80% of the gap) and low levels of participation in employment (accounting for the remaining 20% of the gap).

Source: Regeneris Consulting - West Midlands Economic Strategy Review Policy Options, 2006

The Role of Skills

Along with capital investment, innovation and enterprise, skills play a key role in both raising productivity and participation in employment, as illustrated in the diagram below:

Closing the output gap - key drivers



National level

Nationally the following targets have been set to transform the UK into a world leader in skills by 2020:

- 95% of adults to achieve the basic skills of functional literacy and numeracy, an increase from levels of 85% literacy and 79% numeracy in 2005 - equating to an additional 7.4 million attainments over the period.
- More than 90% of adults qualified to at least level 2, an increase from 69% in 2005 - equating to an additional 5.7 million attainments over the period.
- Four million additional level 3 attainments over the period and boosting the number of apprentices by 500,000 a year.
- More than 40% of adults qualified to level 4 and above, up from 29% in 2005 - equating to an additional 5.5 million attainments over the period.

Source: Leitch Review of Skills 'Prosperity for All in the Global Economy - World Class Skills' Final Report, December 2006

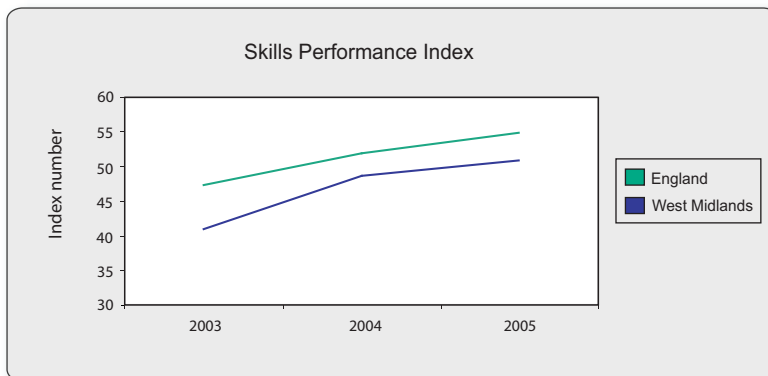


Regional Level

Our framework of Skills Performance Indicators show that the West Midlands is making headway in improving its overall skills performance. For example, the proportion of employers that use workforce development tools has risen and the proportion of employees with skills gaps and deficiencies has fallen sharply to below the national average.

Rates of qualification attainment at level 2 and above are increasing and the Region is closing the gap with the national average.

The Region still lags behind, however, on a range of other key indicators and the scale of the task to close the gap between regional and national performance is, on some measures, considerable.



Tier 2 Indicator	Position in 2005			Closing the gap - the scale of the task
	West Midlands	England	Best Performing Region	
Developing the 'knowledge economy' - proportion of private sector jobs employing people qualified to level 4 or above	21%	25%	London 30%	In 2005 there were 380,000 private sector jobs employing people qualified to level 4 or above in the Region: <ul style="list-style-type: none"> To close the gap with the England average 70,000 more private sector jobs are needed to employ people qualified to level 4 or above. Or to close the gap with London 160,000 more private sector jobs are needed to employ people qualified to level 4 or above.
Graduate Retention - proportion of new graduates retained within the regional economy	64%	65%	North West 75%	In 2005 20,000 new graduates were retained within the Regional economy: <ul style="list-style-type: none"> To close the gap with the England average 200 more new graduates need to be retained each year. Or to close the gap with the North West 3,250 more new graduates need to be retained each year.
Skill shortages - density of skill shortage vacancies	21%	17%	South West 14%	In 2005 there were 12,000 skill shortage vacancies in the Region: <ul style="list-style-type: none"> To close the gap with the England average the number needs to be reduced by 2,500. Or to close the gap with the South West the number needs to be reduced by 4,000.
Investment in training - proportion of staff trained by their employer	56%	61%	North East 70%	In 2005 the Region's employers trained 1.28 million staff: <ul style="list-style-type: none"> To close the gap with the England average they need to train 110,000 more staff. Or to close the gap with the North East they need to train 315,000 more staff.
GCSE attainment - proportion of pupils achieving 5 A*-C GCSEs including Maths & English	40%	42%	South East 46%	In 2005 26,700 pupils in the Region achieved 5 A*-C GCSEs including Maths and English: <ul style="list-style-type: none"> To close the gap with the England average a further 1,500 pupils need to attain this standard each year. Or to close the gap with the South East a further 4,000 pupils need to attain this standard each year.
Acquisition of higher level qualifications - proportion of working age population with NVQ4+	23%	26%	London 33%	In 2005 742,000 people of working age were qualified to NVQ level 4 and above in the Region: <ul style="list-style-type: none"> To close the gap with the England average a further 100,000 adults need to acquire such qualifications. Or to close the gap with London a further 315,000 adults need to acquire such qualifications. To achieve the target set by Leitch within the Region (40% of people qualified to NVQ level 4 and above) a further 534,000 adults need to acquire such qualifications by 2010.
The proportion of working age population with no qualifications	17%	14%	South East 10%	In 2005 548,000 adults of working age in the Region had no formal qualifications: <ul style="list-style-type: none"> To close the gap with the England average this figure needs to be reduced by 110,000. Or to close the gap with the South East and to achieve the target set by Leitch within the Region by 2010 (only 10% of the working age population with no qualifications), this figure needs to be reduced by 230,000.
Participation in job-related training	13%	14%	North East 14%	In 2005 423,000 people in the Region participated in job-related training: <ul style="list-style-type: none"> To close the gap with the England average this figure needs to be increased by 16,000. Or to close the gap with the North East this figure needs to be increased by 38,000.