West Midlands Regional Observatory

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Future prospects for entry level employment

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Future prospects for entry level employment

Research report

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Research Team
West Midlands Regional Observatory
3 Priestley Wharf
Holt Street
Birmingham
B7 4BN

Telephone: 0121 503 3333
Email: info@wmro.org
Web: www.wmro.org
Blog: http://wmro.wordpress.com

CONTENTS

1 Executive Summary

This report seeks to examine the extent to which jobs and employment opportunities will be available to the workless population in the West Midlands. It explores supply and demand and compares the skills and employability of the workless population with the jobs which will become available.

The report forms part of the Observatory's programme of research on Economic Inclusion, which informs the West Midlands Economic Inclusion Panel.

1.1 Headline findings

Using forward looking employment projections[1] we can predict the number and types of jobs that will be created in the West Midlands. This shows that while there will be a net increase in the number of jobs created, far more opportunities will be created as a result of replacement demand, that is the jobs which are created when people retire.

While there are opportunities for workless people across all sectors and occupation levels, we have identified some occupations and sectors which are more likely to provide opportunities due to the profile of the workless population.

1.1.1 Supply: size of the workless population

There are 979,000 workless people of working age in the West Midlands, of which 261,000 are ILO unemployed, meaning they are actively seeking and available for work.

Benefit changes currently underway and in the pipeline are aimed at increasing the pool of those actively seeking work by moving many people from inactive benefits such as incapacity benefit and income support for lone parents. Ultimately this means more job seekers competing for job opportunities.

Many workless people have low skills levels, and seek low skilled jobs. 1 in 3 workless people in the West Midlands, more than 300,000 people, have no formal qualifications. 53% of workless people (more than half a million people) have either no formal qualifications or qualifications below NVQ level 2.

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[1] Source: Working Futures 2007-2017, UKCES

This large and expanding low skilled job seeking population has the potential to create a significant squeeze on low skilled and entry level job opportunities. In order to see these people successfully employed we would need to see entry level jobs being made available in sufficient numbers.

1.2 Employment of the target groups

Employment opportunities for people with low level qualifications and in low skilled occupations are currently available across the board, but there are sectors that provide a far greater level of opportunities than others.

There are five sectors in which more than a third of the workforce has no or low qualifications. It is therefore useful to think of these sectors as having a significant proportion of their workforce in entry level type jobs and likely to offer the highest level of entry level opportunities for workless people:

- Wholesale and retail
- Transport
- Agriculture
- Hotels and restaurants
- Other manufacturing

Together these five sectors employ nearly 850,000 people and make up 36% of the workforce in the West Midlands.

1.3 Labour market entry and progression

The sectors that potentially offer the greatest level of entry level employment also tend to have higher levels of labour market turnover, or churn. Workers in low skilled jobs are also the least likely to receive job-related training, affecting their chances of progression. This lack of training is widely felt to increase the likelihood of the employee leaving the workforce for a period of worklessness.

In terms of recruiting workless people into the workforce, it is important to note that there is recruitment across all sectors and occupations. However, there are significant variations among both sectors and occupation levels, with the sectors and occupations providing most low skilled work also the most likely to recruit workless people.

The sectors most likely to recruit workless people are hotels and restaurants, wholesale and retail, and miscellaneous services. Elementary occupations, sales and customer service, as well as personal services occupations are all most likely occupational destinations for workless people.

1.4 Future Prospects

Most of the future employment opportunities will arise from replacement demand, that is, those created by workforce turnover and leavers. We are able to predict[2] the amount of replacement demand due to retirement and mortalities, and this provides a predicted demand of 984,000 jobs over the 10 year period 2007-17.

In addition, new job creation across industry sectors is predicted to result in a net increase of 125,000 new jobs over the period.

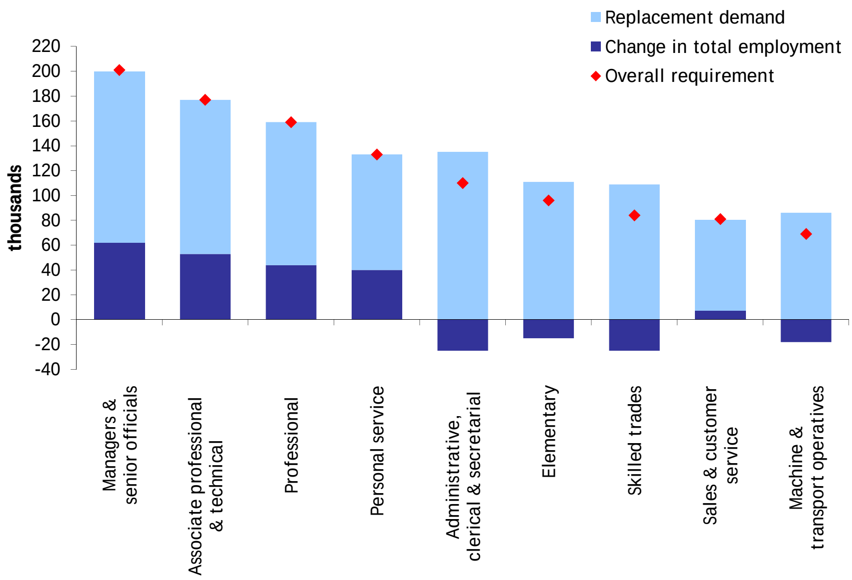
This overall demand of 1.1 million jobs over ten years sounds like a lot, but it equates to 110,000 jobs per year. So in any given year, for example this year, there are 261,000 people looking for work, and a further 700,000 economically inactive. Over the course of the year there will be around 110,000 jobs available. Even if all those jobs were filled by unemployed people it would not be enough, but, more importantly, most of those jobs will be filled by people already in work.

Furthermore, if we estimate the proportion of jobs that will be available as entry level opportunities for workless people, based on our assessments of jobs open to them (the most likely destination occupations) we get a figure closer to 300,000 over the ten year period – just 30,000 jobs per year.

The occupations most likely to provide opportunities to workless people are those which are mostly predicted to see declining overall numbers, resulting in the lower levels of overall job availability (see chart below). The exception is personal service occupations which were in the top three of destination occupations for workless people and also projected to be a growth sector in terms of new jobs. Personal service occupations also offer better levels of training than many other occupations and therefore may provide better opportunities for progression than many other entry level jobs.

[2] Using projections from Working Futures 2007-2017

Overall requirement by occupation (2007-2017) - WM



Source: UKCES, Working Futures 2007-2017

With a large and potentially expanding job seeking population, and a generally declining demand for low skilled jobs, the West Midlands faces a major and worsening disparity between opportunities available and people looking to enter employment.

2 Introduction

2.1 Background

In 2008 the Observatory began a three year programme of research on economic inclusion in the West Midlands to inform the Economic Inclusion Panel[3].

As part of this research programme the Observatory produced the Baseline Report on Economic Inclusion, published in 2009, which provided a comprehensive review of the issues surrounding worklessness in the West Midlands. This was followed by the Economic Inclusion Annual Report 2010 which updated the baseline report in light of the economic recession and identified the extent to which the long-term issues around worklessness remained. The research programme has also included several other reports focused on specific issues around worklessness, in particular looking at risk factors for worklessness, the dynamics and causes of worklessness, and groups at high risk of worklessness.[4]

Much of the research already carried out has focussed on issues on the supply side of worklessness, concentrating on the experiences of groups which are particularly affected by worklessness. To extend our understanding of worklessness, partners identified a need to also look at the demand side of the labour market in relation to worklessness. The Observatory has already carried out research on the likely future demand for labour but this has tended to focus on the demand for high-skilled workers in the knowledge economy.[5] Less is known about the demand for entry level jobs and those that might provide a step into employment for people who have been workless and out of the labour market for a long period, particularly those with low levels of skills.

2.2 Research objectives

Several research questions were identified:

1. To what extent will future employment demand provide entry-level opportunities?

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[3] A panel of leaders from across the public, private and third sectors set up to identify and champion good practice in tackling worklessness in the West Midlands.
[4] These research reports are all available from www.wmro.org >> our research >> economic inclusion
[5] For example, see the report on The West Midlands economy post-recession

2. Will increases in the numbers of job seekers encouraged by changes to welfare provision be matched by growth in entry-level employment opportunities?
3. Which industrial sectors are forecast to provide employment demand, both in new and replacement posts?
4. What are the skills profiles and training/progression prospects for employees in these sectors?
5. Which entry level jobs and which sectors offer the best opportunities for progression into higher value jobs in the future?
6. Which Geographic areas within the West Midlands are likely to offer employment opportunities in the future?
7. To what extent will supply of apprenticeships increase?

2.3 Data

We have used several data sources in the course of this research to try and get as complete a picture as possible of the issues around entry level employment.

2.3.1 Forecasts

The main focus of this research is the future employment demand for people who are workless and have low skill levels. To look at this we need to use projections of employment demand. There are several different sources of projections available, which each cover different time periods and include different sectoral and occupational breakdowns.

Previously, in the report on the West Midlands economy post recession, the Observatory has used short-term forecasts commissioned from Cambridge Econometrics for GVA and employment by industry (but not by occupation) for the period up to 2015.

In this report we are focussing on entry level opportunities and as such we need to look at forecasts by occupational group as well as industry. For this reason we have not used the same projections that were used in the West Midlands economy post recession report but have used forecasts from Working Futures[6] instead.

[6] UK Commission for Employment and Skills (2008) Working Futures 2007 - 2017

The Working Futures report provides forecasts at a sub-national level broken down by occupation and industry for the period from 2007 to 2017. These projections were completed before the economic recession and the recent Comprehensive Spending Review which will both have a significant impact on jobs and employment in the short term. However, the Working Futures forecasts are medium to long-term projections and the report authors say that “assuming that the economy returns fairly quickly to its long term growth path, these results should provide a robust picture of likely developments in employment and skill patterns.”

2.3.2 Other data sources

As well as the projections data we have also drawn on other data sources such as the Labour Force Survey (and Longitudinal Labour Force Survey), Annual Business Inquiry, National Employer Skills Survey and the ONS Claimant Count.

3 Supply – size of the workless population

There are a large number of workless people in the region available to take up any future entry level job opportunities.

There are currently 979,000 workless people in the West Midlands including 261,000 people who are unemployed and actively looking for work and available to start work.[7] The number of workless people, especially unemployed people, has risen over the last couple of years as a result of the recession, but was over 900,000 even before the economic downturn.

53% of workless people in the West Midlands - over half a million workless people - have qualification levels below level 2 or no qualifications. Of those, 33%, or more than 300,000 workless people, have no formal qualifications.

The majority of the workless population (718,000) are economically inactive – which means that they are not actively seeking work. There are a variety of reasons why someone may be economically inactive including long term sickness/disability, family responsibilities, being in education or early retirement. People who are economically inactive are likely to have been out of the labour market for a prolonged period, making it more difficult to return to work.

Due to changes in the benefits system there is likely to be a shift over the next couple of years from people being on inactive benefits, such as incapacity benefit, where they are not required to look for work, to active benefits, where they do have to look for work or undertake some form of work-related activity. This may lead to a rise in the number of people actively looking for work.

There are currently[8] 500,000 people in the West Midlands claiming one of four out of work benefits: 176,000 claiming Jobseekers Allowance (JSA), 237,000 claiming Incapacity Benefits (IB) or Employment and Support Allowance (ESA), 69,000 lone parents claiming Income Support and 20,000 claiming other income related benefits. Only people claiming JSA are currently required to actively look for work.

[7] 2009 data, see Economic inclusion annual report 2010
[8] DWP Working Age Client Group February 2010 data

3.1 Changes to the benefits system

Incapacity Benefits are gradually being replaced by Employment and Support Allowance. ESA was introduced for new claimants in October 2008 and the stock of IB claimants will start to be transferred from IB to ESA from October 2010. There is a new medical test, called the Work Capability Assessment (WCA), which accompanies ESA and the result of this assessment determines whether the claimant is eligible to claim ESA and if so which of two groups they will be placed into. Claimants will either be placed in the ESA 'Support Group', which is for people with severe disabilities who will receive a higher level of benefit and will not have to take part in any work related activity, or the ESA 'Work Related Activity Group' where claimants will receive a higher level of benefit than JSA but will have to take part in the Pathways to Work programme which requires people to undertake work related activity.

The latest statistics[9] show that of completed work capability assessments, 10% of people were placed in the support group, 24% in the work related activity group and 66% were assessed as 'fit for work' and not eligible to claim Employment and Support Allowance.[10] Many of the people assessed as fit for work are expected to make a claim for JSA instead.

These statistics relate to people making a new claim for ESA and these proportions may change when the stock of IB claimants starts to be reassessed, many of whom will have been claiming IB for several years. However, if we assume these proportions, and that 66% of the current 200,000 IB claimants in the region[11] are assessed for ESA and found fit for work, this would mean there would be an extra 130,000 people found fit for work that potentially may make a claim for JSA and have to actively look for work.

Alongside these changes to sickness benefits, there have also been changes made to lone parent benefits. The point at which lone parents are required to look for work has been reduced from when the youngest child reaches 12 years to 7, meaning that lone parents whose youngest child is over 7 are no longer eligible to claim Income Support on the grounds of being a lone parent and have to make a claim for JSA instead. This will mean they have to actively seek and be available for work. Figures on the number of lone parents claiming JSA are not available at a sub national level but nationally there has been an increase in the number of lone parents claiming JSA.

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[9] Department for Work and Pensions, July 2010

[10] Around a third of people found fit for work have had an appeal heard (to date) and the decision has been upheld in 60% of cases.

[11] There are also approximately 40,000 people already claiming Employment and Support Allowance in the West Midlands.

The coalition Government has set out plans to reform the benefits system[12]. The main aims behind the reforms are to simplify the benefit system and make sure that work pays, and is seen to pay, by letting people keep more of their earnings. The reforms also talk about ‘a strong system of conditionality’ and are likely to build on the introduction of conditionality into the benefits system that has already begun, for example for the work related activity group on Employment and Support Allowance.

However the system develops, the key overarching objective of the reforms is to encourage people to work, and reduce the cost and numbers of people on work-related benefits. If the objective to move many people into actively looking for and finding work is realised, the numbers of people competing for entry level opportunities could increase still further. With the accompanying trend for decline in entry level occupations (see section 8), there is the potential for this to result in a significant squeeze on the declining entry level occupations with potential workers far outnumbering opportunities.

[12] DWP (2010) ‘Universal credit: welfare that works’

4 Defining entry level employment

Before looking at the future prospects for entry level jobs it is first necessary to look at what we mean by entry level employment. There are several different ways that we can think about this, such as focusing on the people who may take up these jobs, the occupational groups that these jobs fall into or the industries where these jobs are most likely to be located. In the main we want to capture jobs that are available to people as they move out of worklessness except for those available to students leaving full time education.

The workless population has a different qualifications profile to the employed population with a much higher proportion having either no qualifications or qualifications below NVQ level 2 (equivalent to 5 or more GCSEs at grades A* - C).

Chart 1: Qualifications of employed vs. workless populations - WM

Source: Office for National Statistics, Labour Force Survey, April 08 - June 08
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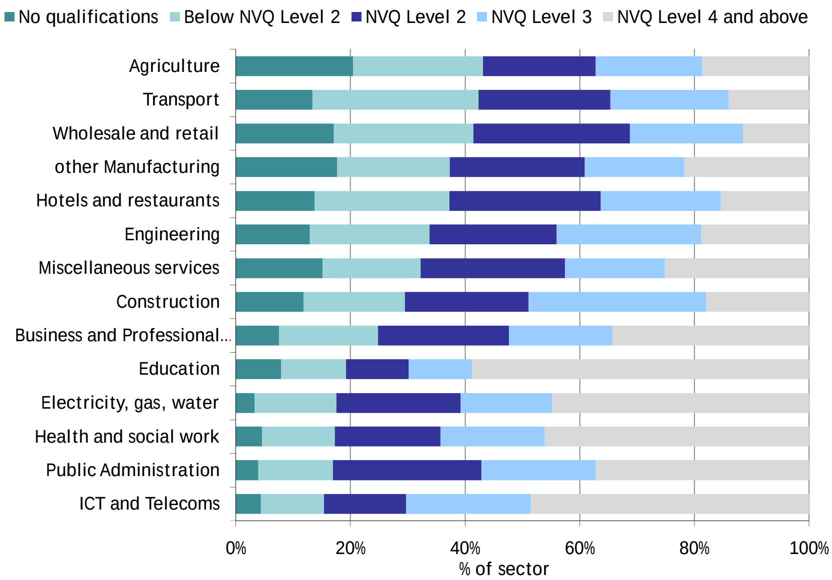
In the West Midlands, more than half (53%) of the workless population have either no qualifications or qualifications below NVQ level 2. The equivalent proportion of the employed population is just 29%. Conversely, just 12% of the workless population have a level 4 + qualification (degree level) compared to 29% of the employed population.

Because of the lower level of qualifications held by the workless population, it is therefore useful to define entry level jobs as those which do not require high level skills or significant levels of experience[13].

4.1 Industry sectors

Chart 2 shows a breakdown of sectors by the qualification levels of the workforce:

Chart 2: Qualifications profile of each sector - WM



Source: Office for National Statistics, Labour Force Survey, April 08 - June 08

Across all sectors, 29% of the workforce has qualifications below level 2. In some sectors this proportion is much higher. The hotel & restaurant and other manufacturing sectors have over 35% of the workforce with qualifications below level 2 and the wholesale & retail, transport and agriculture sectors have more than 40% of their workforce with qualifications below level 2.

It is clear from this analysis that all sectors do provide some level of opportunities to people with no or low level qualifications, but that the level of such opportunity varies considerably between sectors. There are five sectors in which more than a third of the workforce has no or low qualifications. It is therefore useful to think of these sectors as having significant proportion of their workforce in entry level type jobs and likely to offer the highest level of entry level opportunities for workless people:

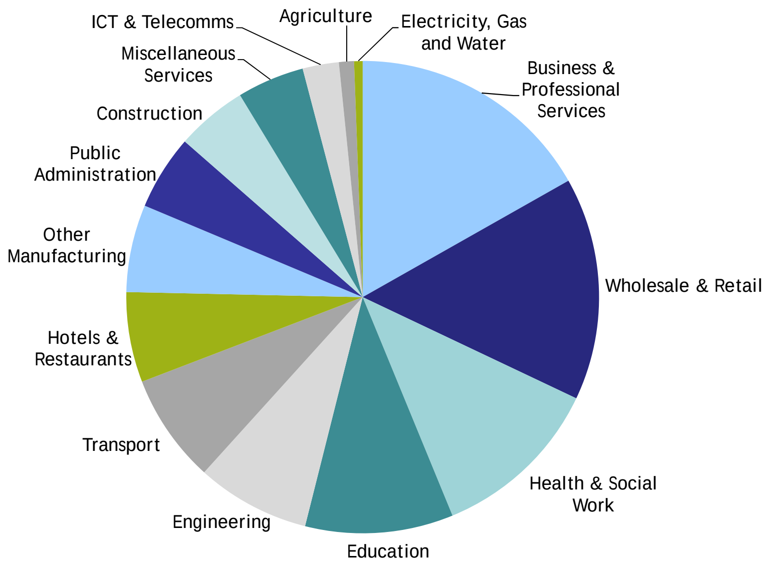
[13] Graduate opportunities often require little experience but high qualification – these are not the focus of this study

- Wholesale and retail
- Transport
- Agriculture
- Hotels and restaurants
- Other manufacturing

Together these five sectors make up 36% of the workforce in the West Midlands, nearly 850,000 people.

Chart 3 below shows the relative size of each of the broad industry sectors in the West Midlands:

Chart 3: Relative size of sectors - WM



Source: Office for National Statistics, Annual Business Inquiry, 2008

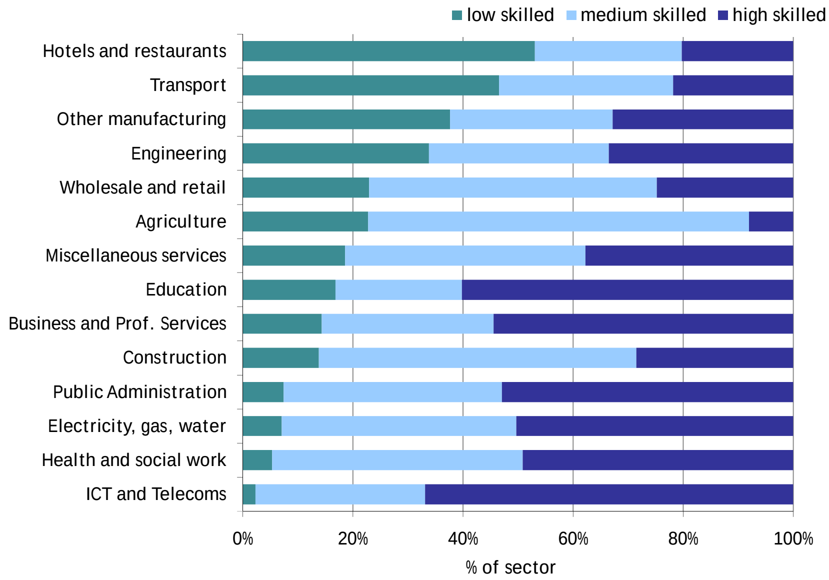
4.2 Occupation types

We can also look at entry level jobs in terms of occupations. Occupations can be grouped into nine broad categories ranging from managers, directors & senior officials to elementary occupations. The Office for National Statistics defines the general nature of qualifications, training and experience required for each occupational group[14].

These nine groups can loosely be categorised as high skilled (the top three groups), medium skilled (the next four groups) and low skilled (the bottom two groups). Using this classification we could take the bottom two groups – process, plant & machine operatives and elementary occupations - as those which could be available as entry level opportunities to people with low levels of skills and little experience.

The industries where we find higher proportions of low skilled entry level occupations are hotels & restaurants, transport, other manufacturing and engineering (see chart 4). All of these sectors have over 34% of their workforce in entry level occupations, although it is worth noting that ten of the 14 sectors have over 10% of their workforce in entry level occupations.

Chart 4: Occupational profile of each sector - WM



Source: Office for National Statistics, Labour Force Survey, April 08 - June 08

[14] See Table 1 in the Appendix for a list of the nine occupational groups and the general level of qualifications, training and experience required for each group.

There is significant overlap between the sectors where we find more entry level occupations (chart 4) and the sectors where we find more people with low level qualifications (chart 2) with the top six sectors on both measures being the same. This indicates that it is valid to look at both entry level occupations and sectors with people with low level qualifications to get an understanding of where opportunities will be available.

5 Labour market churn

To begin to build a picture about where the employment opportunities are for people who are workless, it is important to look at which sectors and which occupations have the highest levels of labour turnover. Later in the report we will look which sectors and occupations have higher levels of churn due to people retiring from the workforce but in this section we focus on movements of people in and out of employment.

5.1 Alternating between benefits and employment

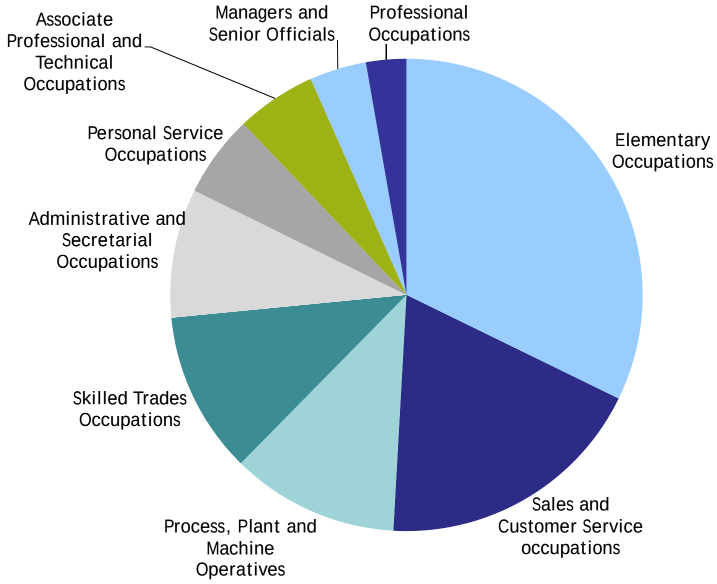
One factor in labour market churn is the significant proportion of people claiming Jobseekers Allowance (JSA) who 'cycle' between employment and benefits, often moving into low paid insecure employment for short periods of time before making a new claim for JSA.

In the West Midlands, 69% of JSA claimants have made previous claims for JSA, with 22% having made five or more previous claims. In addition, 23% of new claimants in the West Midlands had a previous claim for JSA less than four weeks ago[15].

JSA claimants are most likely to be employed in elementary occupations with 32% of the current stock of claimants usually employed in elementary occupations:

[15] See West Midlands Regional Observatory (2010) 'Dynamics of worklessness'

Chart 5: Stock of JSA claimants by usual occupation - WM

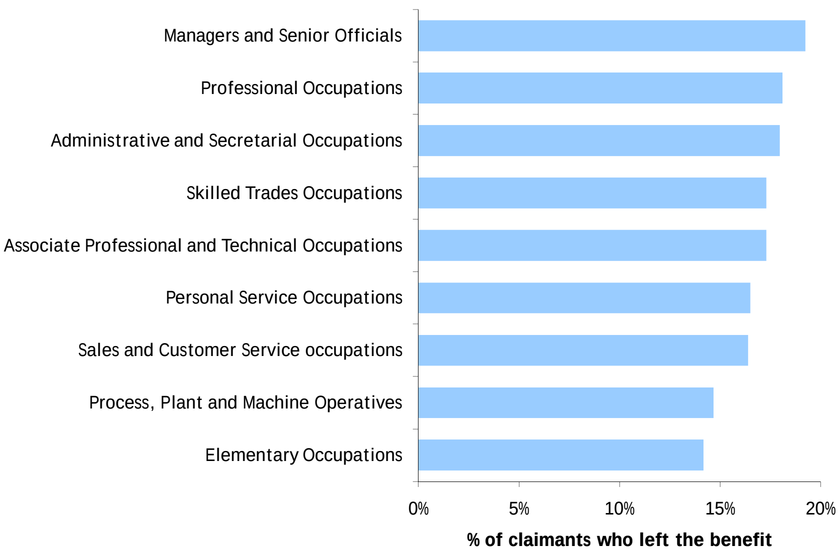


Source: Office for National Statistics, Claimant count, Jun – Aug 2010 average

It is not possible to break down the data on the number of previous JSA claims and interval between claims by the usual occupation or usual industry of each claimant. Therefore we are not able to identify if there are particular occupational groups or sectors which are more likely to cycle between employment and benefits.

We can look at which occupational groups are more likely to leave the claimant count by looking at the usual occupation of people leaving the count as a proportion of the stock of claimants in that occupational group.

Chart 6: JSA leavers rates by usual occupation of claimant - WM



Source: Office for National Statistics, Claimant count, Jun – Aug 2010 average

In general, people in the lower skilled occupational groups were the least likely to move off the benefit. People whose usual occupation is in an elementary job are the least likely of all to leave JSA. Just 14% of JSA claimants who are usually employed in elementary positions left the benefit in the period June –Aug 2010 compared to 19% of claimants usually employed as managers/senior officials.

5.2 Turnover of the workforce

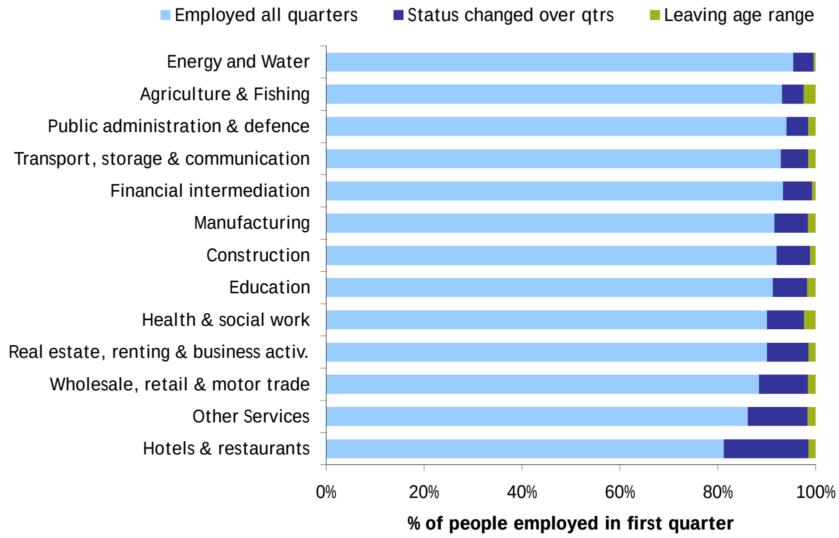
We have used the Longitudinal Labour Force Survey to examine which sectors and occupations have the highest level of 'churn'. The Longitudinal Labour Force Survey tracks individuals in each quarter over a year and allows us to monitor changes in economic activity - for example people moving in and out of employment.

The chart below (chart 7) tracks people who are employed at the beginning of a year and follows them for a year to see what proportion leave employment (or change status) over that year. The Longitudinal Labour Force Survey only includes people who are of working age so people who reach pension age during the year are not then included in the survey and we don't know whether they remain in employment or retire - these people are captured as 'leaving age range' on the charts below.

The group included as 'status changed over quarters' may have either moved out of employment and into worklessness over the course of the year or moved out and then back into employment during the year. The important thing is that they have not remained employed for the duration of the year.[16] The proportion of people in this group helps to give us an idea about which sectors have higher levels of insecure employment.

[16] Although people employed in all quarters could have moved out of employment and returned to employment during the course of one quarter.

Chart 7: Tracking cohort of employed people over 1 year – UK



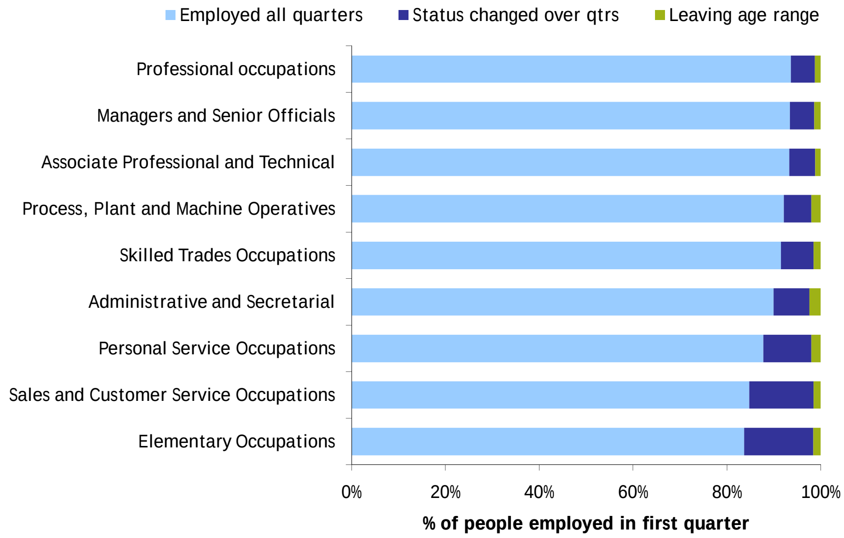
Source: Office for National Statistics, Longitudinal Labour Force Survey, July 2006 – June 2008

The hotels & restaurants sector has the highest proportion of people who change their status over a year, with 17% of people employed in this sector at the beginning of a year leaving employment and entering worklessness over the course of the year. Other sectors having high proportions of churn include the other services[17] and wholesale & retail sectors.

The occupations that have the highest proportions of churn (chart 8) are elementary occupations – with 15% of people employed in an elementary occupation at the beginning of a year entering worklessness at some point over the next year, sales & customer service occupations (14%) and personal service occupations (10%).

[17] The 'other services' sector here includes community, social and personal services.

Chart 8: Tracking cohort of employed people over 1 year - UK



Source: Office for National Statistics, Longitudinal Labour Force Survey, July 2006 – June 2008

It is important to note that the longitudinal Labour Force Survey data includes students; both charts 7 and 8 will be skewed slightly by the types of jobs students might undertake both during study and on leaving education. For example, in section 7 we show that students were most likely to enter sales & customer service occupations or the hotels & restaurants sector and these both show as having higher proportions of churn than many of the other occupations and sectors.

6 Opportunities for progression in entry-level jobs

One of the issues around worklessness is that people who move into entry level employment often only remain in employment for a short period of time before moving back into unemployment or inactivity. This 'revolving door' between low skill/low paid employment and benefits is well documented.[18]

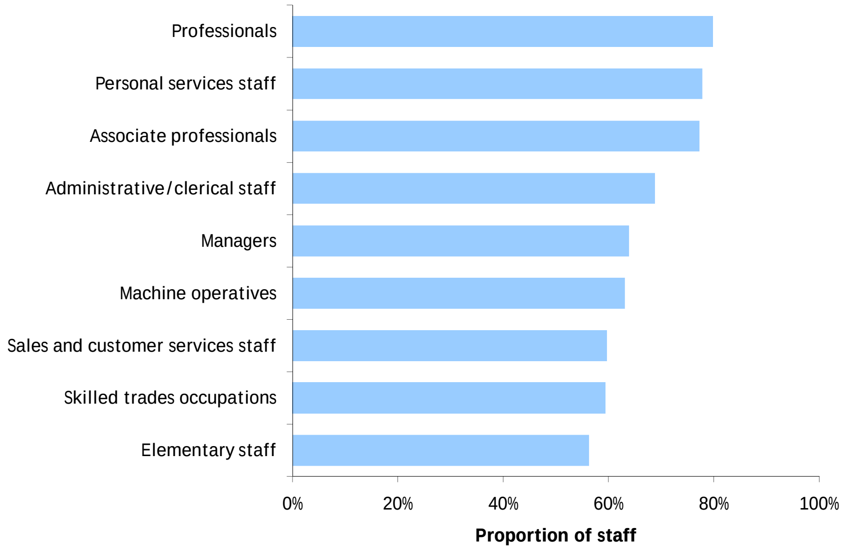
In a recent DWP report on training and progression in the labour market[19], the authors found that participating in training significantly reduced the risk of an employee leaving employment for either unemployment or economic inactivity. They also found that, nationally, people in routine elementary occupations were least likely to have received training in the last 13 weeks and that qualifications were positively associated with training, so that the higher the level of qualifications held the more likely an employee was to have received training. Nationally, data from 2008 showed that only 8% of men and 11% of women with no qualifications had received training compared to 34% of men and 42% of women with a degree.

We have looked at whether this national picture is also true in the West Midlands.

Chart 9 and 10 show the proportion of staff in each occupation and sector who have received training.

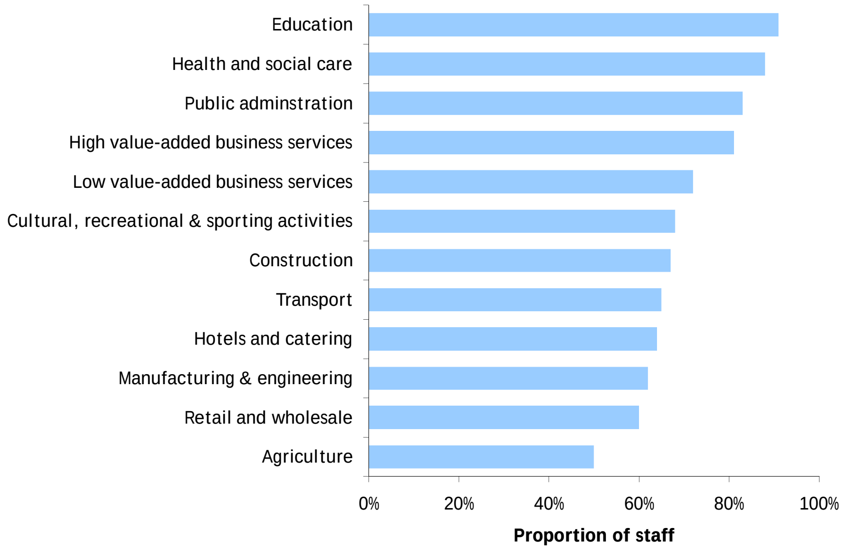
[18] WMRO (2010) 'Dynamics of worklessness'/ JRF (2010) 'Better off working? Work, poverty and benefit cycling'
[19] DWP (2010) Training and progression in the labour market

Chart 9: Training by occupation type - WM



Source: LSC National Employer Skills Survey 2009

Chart 10: Investment in training by sector - WM



Source: LSC National Employer Skills Survey 2009

Chart 10 shows that over half of the workforce across all sectors had received training. However people working in sectors where there are higher proportions of people with low level qualifications are less likely to have received training than those working in other sectors.

Looking at the same data by occupation (chart 9) also suggests that people working in elementary occupations were the least likely to have received training of all the groups although, again, more than half of those in elementary occupations had received training.

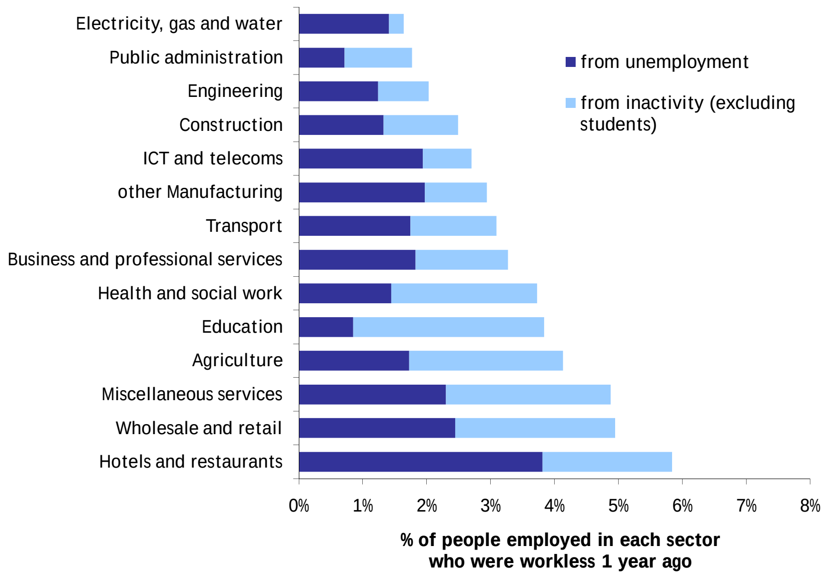
These charts suggest that opportunities for progression are not as good in entry level jobs as in other industries and amongst other occupations. As explained above, this lack of training is widely felt to increase the likelihood of the employee leaving the workforce for a period of worklessness.

7 Recruitment of workless people

Using data from the Labour Force Survey we can look at which types of jobs and which sectors workless people are most likely to enter. This analysis can help us to understand the opportunities available to workless people and the sectors that recruit people who have previously been workless. We have excluded students from this analysis as they tend to have different characteristics to the rest of the workless population and will have different labour market opportunities available to them.

Chart 11 and chart 12 show the proportion of people employed in each sector or each occupation who were workless a year ago[20]. They capture the sectors and occupations which have the highest proportions of people who have recently been workless and help us to understand where workless people are being recruited into.

Chart 11: Proportion of people employed in sector who have recently moved out of worklessness (excluding students) - UK



Source: Office for National Statistics, Labour Force Survey, Apr-Jun 2008

The first thing to note is that there are new recruits across the board, indicating that all sectors and all occupations are open to people who are moving out of worklessness and into employment. Certain sectors and occupations, however, provide opportunities to a greater extent than others.

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[20] The Labour Force Survey asks respondents what their employment status was 12 months ago. From this we can select individuals who were workless 12 months ago and now in employment to see which jobs they have entered. This will include people who were out of work for long and short periods.

Looking at the data by sector, the three sectors with the highest proportions of their workforce having recently moved out of worklessness are hotels & restaurants (6%), wholesale & retail (5%) and miscellaneous services[21] (5%).

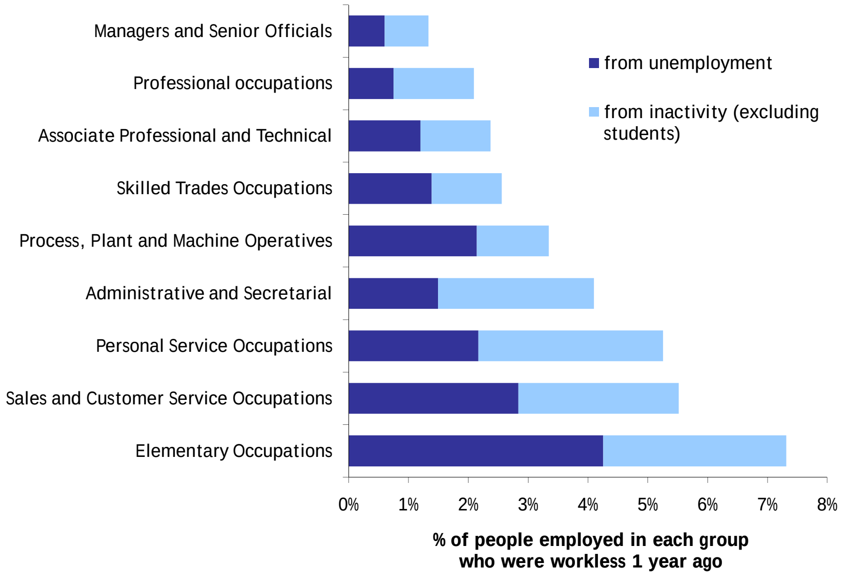
The sectors that we have identified as having higher proportions of their workforce in low skilled occupations or with lower level qualifications also have higher proportions of people who have recently moved out of worklessness. These sectors are, as we would expect, providing the greater share of opportunities for workless people.

However, there are some exceptions to this. The education sector, for example, has a higher proportion of employees who have moved out of worklessness than average. This sector is more highly qualified than average with the majority of the workforce in highly skilled occupations. The reason for this discrepancy becomes clearer if we look at the reason why people who have moved into employment in this sector were workless. Just over three quarters of workless people moving into the education sector were economically inactive compared to just a quarter coming from unemployment. This is a much higher proportion coming from inactivity than in other sectors and mainly consists of people who have been looking after a family. This suggests that the education sector either has more flexible/family friendly policies than other sectors which enable people with a family to move back into employment or that people employed in this sector are more likely to have been economically inactive because they were looking after a family/home.

The occupational data (chart 12) show that people in elementary occupations are most likely to have recently moved out of worklessness. Over 7% of people employed in elementary occupations were workless one year ago, with the majority of these moving from unemployment rather than inactivity. This fits the pattern we would expect given the profile of the workless population that we have identified earlier.

[21] Miscellaneous services include leisure services, film and television, hairdressing and beauty and others.

Chart 12: Proportion of people employed in each occupation who have recently moved out of worklessness (excluding students) - UK



Source: Office for National Statistics, Labour Force Survey, Apr-Jun 2008

One interesting point to note is that process, plant and machine operative occupations (which also require few qualifications but do require some experience and job-based training) have a smaller proportion of people moving out of worklessness. Administrative & secretarial, personal service, and sales & customer service occupations are all more likely to be contain people who have moved out of worklessness than machine operatives, and are a significant source of recruitment for workless people.

Breaking this down further, we get a slightly different picture. We can explore which occupations people who have been workless are most likely to enter according to the reason why people were workless (unemployed or economically inactive). The proportion of people who have recently moved out worklessness who were unemployed makes up a greater proportion of those moving into process, plant & machine operative occupations than any other occupational group followed by elementary occupations.

Breaking down worklessness into unemployment and inactivity does show important differences in the occupations and industries that people moving out of worklessness are most likely to enter. It is important to note that students have been excluded from the economically inactive group. If we include students in the analysis the picture changes with sales and customer service occupations becoming the occupation most likely to be entered by people who have been workless. Reproducing the sector analysis (chart 11) for students shows that the sector with by far the highest proportion of employees who were students a year ago is the hotels & restaurants sector.

8 Future employment demand for entry-level jobs

In this section we look at prospects for future employment demand in the West Midlands, and specifically in entry level jobs. The analysis is based on the widely-used forecasts produced by the Institute for Employment Research and Cambridge Econometrics for UKCES Working Futures 2007-2017.[22] These forecasts are medium to long-term forecasts and although they do not take into account the recent recession the longer-term picture is likely to remain unchanged.[23]

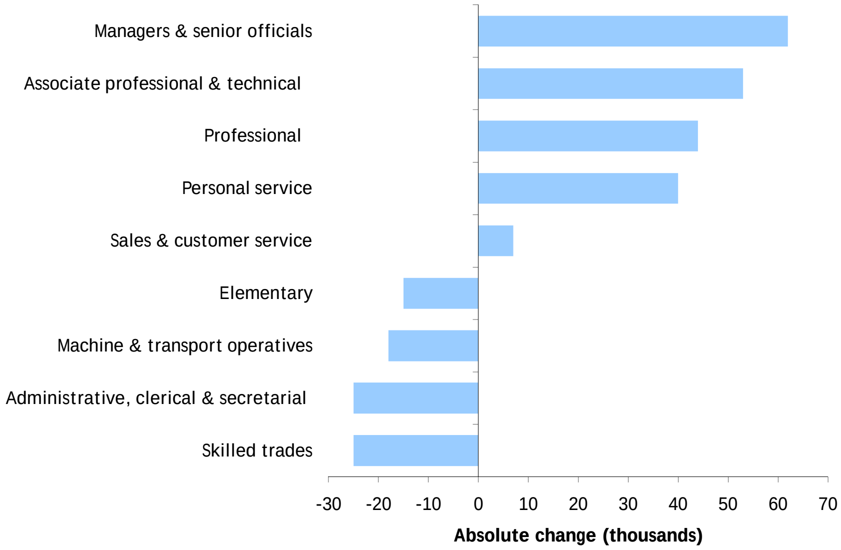
8.1 Change in total employment

8.1.1 Change by occupation

Between 2007 and 2017, there is forecast to be a net rise in employment of 125,000 jobs in the West Midlands. Many more jobs than this will be created during this time but jobs will also be lost leading to this net overall increase of 125,000. Breaking this down by occupation shows where jobs are expected to be gained and lost:

[22] See 'Working Futures 2007-2017'
[23] We have used the Working Futures forecasts as they include forecasts by occupational group which were necessary to look at entry level jobs. The Observatory has used other forecasts in the research on 'The West Midlands economy post recession' which focused on sectoral forecasts.

Chart 13: Absolute change in employment by occupation in the West Midlands between 2007 and 2017

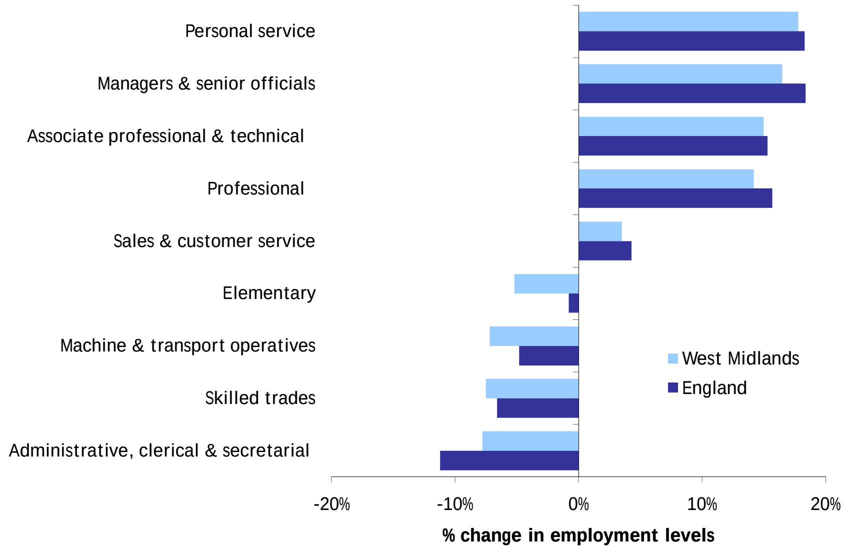


Source: UKCES, Working Futures 2007-2017

The number of jobs in occupations requiring few skills, such as elementary occupations and machine and transport operative occupations, is forecast to decrease by 33,000 between 2007 and 2017 with the biggest increases in jobs being in the highly skilled occupations. So, although many entry level job vacancies will arise to replace people who leave their jobs, overall more jobs will be lost than created. This decrease in the number of jobs available to people in low skilled occupations continues the downward trend of recent years although at a slower pace.

As proportions of the workforce, elementary occupations are forecast to decrease by 5% and machine and transport operatives by 7% over the ten year period.

Chart 14: % change in employment by occupation in the West Midlands and England between 2007 and 2017



Source: UKCES, Working Futures 2007-2017

The proportional decrease in entry level occupations is forecast to be greater in the West Midlands than across England. In fact, the West Midlands, along with the East Midlands, is forecast to experience the greatest proportional decrease in elementary occupations in England. In some areas (mainly in the south of the country) there is forecast to be a slight increase in elementary occupations between 2007 and 2017 although all areas will see a decrease in machine and transport operative occupations. One of the main drivers of occupational change is the change in the industrial structure of the economy with the shift away from manufacturing industries towards the service sector. The industrial structure of the West Midlands, with its manufacturing history, will be part of the reason for the greater loss of elementary and machine and transport operative jobs compared to other areas in England.

The occupations expected to produce the largest numbers of new jobs over this period - personal service occupations, managers, professional and technical occupations - are those which are unlikely to be accessible to the majority of workless people, with the exception of personal service occupations. Personal service occupations were the third most likely to be entered by people moving out of worklessness (see section 7) and so could provide opportunities for workless people. They are also more likely to provide opportunities for progression than some other occupations open to workless people (see section 6). Personal service occupations are expected to see the biggest proportional increase in employment in the West Midlands and nationally. Part of the reason for this is the ageing population. With increasing proportions of the population of pension age there is a requirement for greater numbers of people in health and social care jobs.

The other occupational groups expected to see larger growth - management, professional and technical occupations - are highly skilled and are not generally going to provide opportunities for the workless population, over half of whom have either no qualifications or qualifications below NVQ level 2.

8.1.2 Change by sector

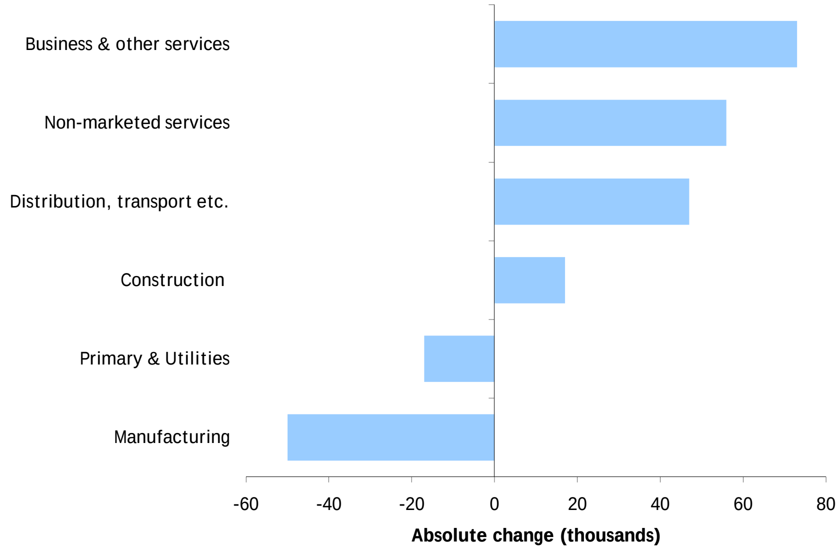
The Working Futures forecasts also include changes in employment by industry sector[24]. Industries have been grouped into six broad sectors as follows:

Broad sector	Broken down into SIC 2003 sector
Primary sector and utilities	Agriculture (A), Mining and quarrying (C), Electricity gas & water (E)
Manufacturing	Manufacturing (D)
Construction	Construction (F)
Distribution, transport etc.	Wholesale & retail (G), Hotels & restaurants (H), Transport & communication (I)
Business and other services	Financial services (J), Other business activities (K), Other services (O,P,Q)
Non-marketed services	Public administration (L), Education (M), Health & social work (N)

Two of these broad sectors are forecast to see a decrease in employment over the period 2007 to 2017:

[24] We have used the Working Futures forecasts in this section to be consistent with section 8.1.1 which used the Working Futures forecasts by occupational group. There will be some differences between these sectoral forecasts and those presented in the Observatory's report on the West Midlands Economy Post-recession.

Chart 15: Absolute change in employment by sector in the West Midlands between 2007 and 2017

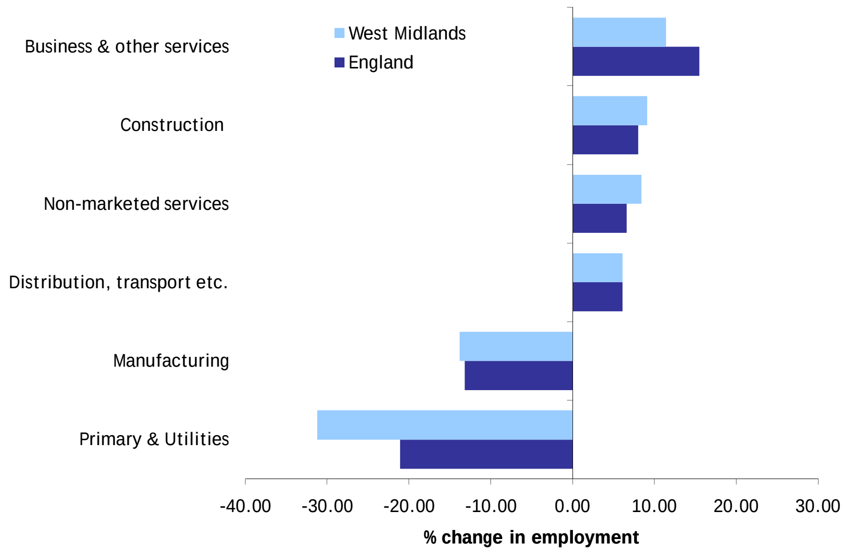


Source: UKCES, Working Futures 2007-2017

In the West Midlands, manufacturing will see a reduction of 50,000 jobs over this period and the primary and utilities sector is forecast to decrease by 17,000 jobs. The other four sectors will see an increase in employment with the business & other services sector seeing the biggest increase of 73,000 new jobs.

Of these six broad sectors, the distribution & transport and manufacturing sectors have the highest proportions of the workforce with qualifications below NVQ level 2. This means that the sector losing the largest number of jobs also has a high proportion of people with low level qualifications, although there are some entry level opportunities across all sectors.

Chart 16: Proportional change in employment by sector in the West Midlands between 2007 and 2017



Source: UKCES, Working Futures 2007-2017

8.2 Replacement demand

While changes in overall levels of employment are important, it is also important to note that the creation of new jobs is only part of the picture. Replacement demand – that is jobs arising due to retirements or turnover of staff – makes up a much larger proportion of the total employment demand, or job opportunities. The change in total employment over this 10 year period therefore only makes up a small proportion of the overall employment demand over the period.

Jobs arising due to replacement demand outnumber new jobs by 9 to 1. In total, there will be over 1.1 million vacancies arising over the period from 2007 to 2017 in the West Midlands, with the number of net new jobs (125,000) making up only a small proportion of that and replacement demand accounting for 984,000 vacancies.

Job demand in the West Midlands 2007-17	
Source of jobs	**Number of jobs arising**
Net new jobs created	125,000
Replacement demand	984,000
Total	1,100,000
Source: Working Futures 2007-2017	

Definition of replacement demand

Replacement demand refers to the need to replace people who leave their job. There are four key components of replacement demand arising from:

- Retirements
- Mortalities
- Occupational mobility (people changing jobs for career progression or otherwise)
- Geographical mobility (at a sub national level this becomes more important as people move between regions, at a national level this would be international migration only)

The replacement demand projections used in this report are those arising from **retirements and mortalities only.**

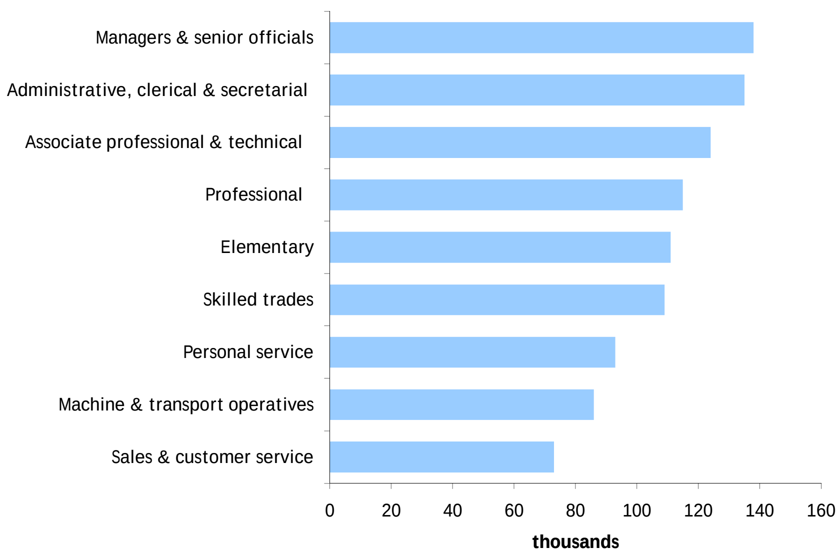
Retirements account for the greatest proportion of replacement demand. Occupational and geographical mobility can both result in inflows as well as people leaving their jobs and are therefore not as significant as retirements.

In this report we have used the Working Futures projections of replacement demand which analyse demands by occupation in order to capture the level of opportunities open to workless people.

Estimating replacement demands is problematic and the data on occupational and geographical mobility are not very robust. Therefore the replacement demands calculated for the Working Futures projections include replacement demand arising from retirements and mortalities only.

Chart 17 shows in the number of vacancies expected to arise due to replacement demand in the West Midlands in each occupational group:

Chart 17: Replacement demand by occupation (2007-2017) - WM



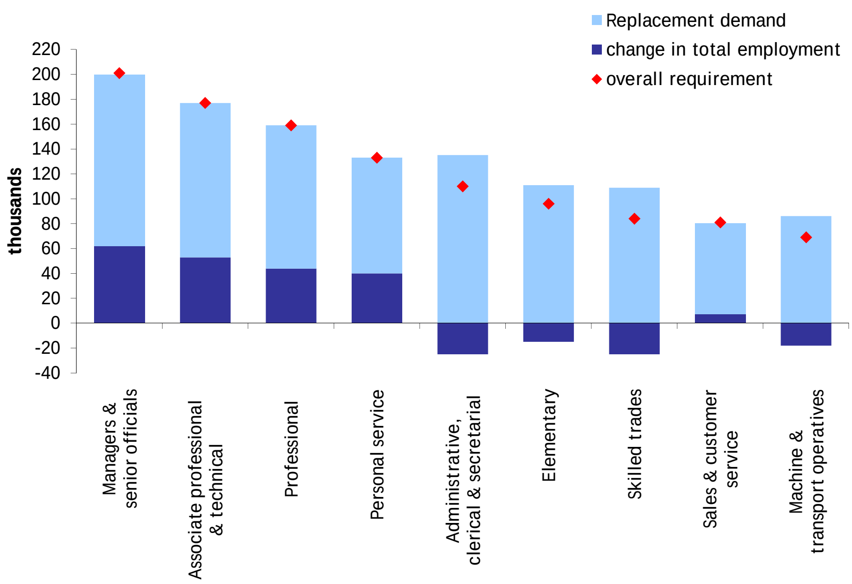
Source: UKCES, Working Futures 2007-2017

Although, as we saw in section 8.1.1 there is not expected to be an increase in the total number of people employed in entry level occupations, a considerable number of vacancies in these two occupational groups will still arise due to replacement demand. In the two entry level occupational groups combined there is forecast to be replacement demand of 197,000 vacancies arising (111,000 in elementary and 86,000 in machine and transport operative occupations). This means that although the overall number of jobs in these occupations will decrease there will still be a significant requirement for people to enter entry level type occupations to replace people who have retired.

8.3 Overall demand

By summing the estimated change in total employment (+125,000) and the vacancies expected to arise due to replacement demand (984,000) we get an expected overall employment demand over the 10 year period of 1.1 million. Chart 18 shows how the overall demand for employment differs between each occupational group.

Chart 18: Overall requirement by occupation (2007-2017) - WM



Source: UKCES, Working Futures 2007-2017

There are considerable differences between estimated requirements for different occupation categories, with greatest overall demand among the more highly skilled occupations. The overall requirement for machine and transport operatives is lower than for any other occupational group whereas there is more demand for elementary jobs than for skilled trades and sales & customer service occupations.

The occupations which, in previous sections of this report, have been shown to be have higher proportions of people who have moved out of worklessness or require lower levels of skills tend to have a lower employment demand. The occupations which are less likely to be accessible to workless people, such as managers, professional and technical occupations, are the ones which are forecast to have the highest levels of demand over the period 2007 to 2017. This indicates that there may be a squeeze on the lower skilled occupations that workless people would be expected to utilise to enter employment. Nevertheless, if we combine the overall requirement in the elementary, sales & customer services, and personal service occupations, which are those most likely be entered by people who have been workless, there will be a demand for 310,000 people over this 10 year period.

8.4 Apprenticeships

Apprenticeships are one possible route into employment for workless people and the number of apprenticeship opportunities is set to increase. The Coalition Government has announced £150 million funding to provide 50,000 new apprenticeship opportunities. These will be focused on small and medium enterprises. In the Comprehensive Spending Review the Government also announced additional funding of £250 million a year (by 2014-15) for adult apprenticeships creating up to 75,000 new places.

In 2008/9, nearly 28,000 people started apprenticeships in the West Midlands. About 11,000 of these were aged 16-18, 10,000 aged 19-24 and 7,000 aged over 25. The number of people starting apprenticeships has been rising over recent years from just under 21,000 in 2005/06. There were nearly 24,000 apprenticeship starts in the West Midlands in the first nine months of 2009/10 alone.

If the region gets its share[25] of the new apprenticeship vacancies this could amount to another 13,000 opportunities over the next few years.

[25] 10% of the 50,000 + 75,000 new apprenticeship places

9 Conclusions: Mismatches in supply and demand

The overall requirement for labour between 2007 and 2017 in the West Midlands is 1.1 million and this compares to 979,000 workless people currently in the region. However, many of these jobs will be filled by people who are already in work and will not be accessible to people who are workless. In fact the occupations likely to produce the greatest number of vacancies are those that require higher levels of skills, and are therefore inaccessible to many workless people.

Furthermore 1.1 million jobs over a ten year period equates to no more than 110,000 per year, compared with a snapshot view of almost a million workless people, or 261,000 unemployed people.

The overall requirement for labour in the occupations which are most likely to be entered by people who have been workless (elementary, sales & customer services, and personal service occupations) is 310,000 over the ten year period 2007 to 2017, or 30,000 jobs per year. Even if all of these vacancies were taken by people moving out of worklessness (which is very unlikely) this number is far fewer than the population of workless people.

In addition to this, these projections are based on data that predate the recession and the Comprehensive Spending Review, both of which will have an impact on future employment demand. In particular, job losses are expected in the public sector (and associated private sector supply chains) and many of these will come from recruitment freezes and not replacing people who retire. Therefore, the replacement demand figures in this report may overestimate the numbers required, particularly in the short-term.

10 Appendix

Table 1: General nature of qualifications, training and experience for major occupational groups (Source: ONS)

Major group	General nature of qualifications, training and experience for occupations in the major group
Managers, directors and senior officials	A significant amount of knowledge and experience of the production processes and service requirements associated with the efficient functioning of organisations and businesses.
Professional occupations	A degree or equivalent qualification, with some occupations requiring postgraduate qualifications and/or a formal period of experience-related training.
Associate professional and technical occupations	An associated high-level vocational qualification, often involving a substantial period of full-time training or further study. Some additional task-related training is usually provided through a formal period of induction.
Administrative and secretarial occupations	A good standard of general education. Certain occupations will require further additional vocational training to a well-defined standard (*e.g.* office skills).
Skilled trades occupations	A substantial period of training, often provided by means of a work based training programme.
Caring, leisure and other service occupations	A good standard of general education. Certain occupations will require further additional vocational training, often provided by means of a work-based training programme.
Sales and customer service occupations	A general education and a programme of work-based training related to Sales procedures. Some occupations require additional specific technical knowledge but are included in this major group because the primary task Involves selling.
Process, plant and machine operatives	The knowledge and experience necessary to operate vehicles and other mobile and stationary machinery, to operate and monitor industrial plant and equipment, to assemble products from component parts according to strict rules and procedures and subject assembled parts to routine tests. Most occupations in this major group will specify a minimum standard of competence for associated tasks and will have a related period of formal training.
Elementary occupations	Occupations classified at this level will usually require a minimum general level of education (*i.e.* that which is acquired by the end of the period of compulsory education). Some occupations at this level will also have short periods of work-related training in areas such as health and safety, food hygiene, and customer service requirements.

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West Midlands Regional Observatory
3 Priestley Wharf,
Holt Street,
Birmingham,
B7 4BN.

Telephone: 0121 503 3333
Fax: 0121 503 3364
email: info@wmro.org
twitter: @thewmro

www.wmro.org