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West Midlands Skills Assessment 2010

Briefing paper four
The supply of and demand for employment at a local level

Final report
February 2011

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West Midlands Skills Assessment 2010

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Final report
Version 1.0
4 February 2011

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1 Introduction

The 2010 West Midlands Skills Assessment builds on work we have already done during the year to inform the West Midlands Skills Partnership (WMSP) in the development of a statement of strategic skills priorities for the region. In particular we provide additional intelligence to inform the work of 'task & finish' groups set up by the WMSP to take forward key issues highlighted in the statement of strategic skills priorities, notably:

- Improving careers information, advice and guidance
- Developing a coherent 'skills offer' for inward investors
- Facilitating better collaborative working between employers, colleges and universities

The research will also inform the work of local authorities to develop Local Economic Assessments for their areas and the strategic thinking and priority setting of the new Local Enterprise Partnerships.

This briefing paper is one of a series we are producing to support this work. The first paper considers the likely impact on employment prospects of the cuts in public spending announced by the government. The second assesses the potential for growth in Gross Value Added and jobs if radical action was taken to address structural weaknesses in the West Midlands economy and transform the private sector. The third explores the extent and causes of skill gaps in the region's workforce. This paper, meanwhile, explores:

- The likely scale of the potential demand for jobs - from those already in work, the unemployed and the economically inactive - across the West Midlands as a whole and at a sub-regional and local level.
- Groups within the working age population that are disadvantaged in the labour market and the issues they face.
- The extent to which any new jobs created over the next five years will be sufficient to meet the demands of local people – across the West Midlands as a whole and at a sub-regional and local level.

2 Key headlines

2.1 The potential for new job creation

As highlighted in paper one, the West Midlands was the only region in the country to see a fall in private sector jobs in the decade to 2008 and the region is particularly vulnerable to the cuts in expenditure announced by the government. Our baseline forecast indicates that there will be a fall in employment of more than 38,000 between now and 2015.

Paper two indicates that there is a need for urgent, radical, transformational change to support the creation of more and better jobs in the West Midlands. Investment in the demand, supply and effective use of skills by existing businesses can play a key role in this process – although net new job creation would still be offset by the impact of cuts in public sector expenditure and there would be net loss of nearly 28,000 jobs.

But net job growth would be much more significant if this up-skilling policy was combined with investment in other drivers of the economy such as innovation, enterprise, inward investment, transport and sites and premises. More than 160,000 net new jobs would be created, even factoring in the impact of the public sector cuts. Job growth would be led by high value added industries such as business & professional services, advanced manufacturing, building technologies & low carbon construction and ICT & digital media. Job growth would be most significant in areas where high value added industries have a presence such as Birmingham, Coventry, Lichfield, Malvern Hills, Newcastle-under-Lyme, Redditch, Solihull, Stratford-on-Avon, Tamworth, Telford & Wrekin and Warwick.

2.2 The demand for jobs across the region

A key issue will be the extent to which the jobs created will meet the demand for employment across the West Midlands - from those already in work and looking to progress their careers and from those not in employment looking to improve their life chances. In 2009 the region had a working age population of nearly 3.3 million – of which 2.3 million were in employment, 250,000 were unemployed and 740,000 were economically inactive.

Some 30% of people of working age were not in paid employment – a figure well above the England average of 27%. The figure rose to more than 50% for 16-24 year olds (with 1 in 7 unemployed) and some 54% for people from ethnic minority communities. Rates of worklessness were highest in areas where individuals from disadvantaged communities are concentrated – notably Walsall (34%), Wolverhampton (36%), Sandwell (39%) and Birmingham (40%).

A lack of relevant skills and qualifications, often in combination with factors such as disabilities and health problems and a lack of mobility are key barriers to participation in employment for disadvantaged individuals. For example some 24% of people of working age from ethnic minority communities, and 32% of those from Pakistani & Bangladeshi communities, held no formal qualifications in 2009, compared with 14% for the region's working age population as a whole.

These issues mean that, even when people from these disadvantaged groups find employment, many tend to work in lower skilled, lower paid jobs. These are typically in sectors such as hotels and catering, wholesale and retail and health and social care – rather than the high value–added industries forecast to grow most strongly in the West Midlands over the next 5 years.

The West Midlands' working age population is forecast to grow slightly by 1.4% (47,000) over the 2009-2015 period to total just over 3.3 million. In the baseline scenario, it is projects that around 2.3 million of them will be in employment and just over 1 million will be workless.

2.3 Commuting and travel to work patterns

In many urban areas of the West Midlands significant numbers of people lack the skills and qualifications employers are looking for. In other parts of the region, meanwhile, the population is ageing and numbers of people of working age are falling. As a result many local businesses, and particularly those in higher value added industries who require staff with higher level skills, are tending to recruit from further afield – and rates of both in and out-commuting are high in many areas.

2.4 The balance of supply and demand

It is clear that, without radical, transformational change, insufficient jobs will be created over the next few years to provide work for the unemployed, help maintain social cohesion and provide prosperity for all in the West Midlands.

Our baseline forecast indicates that there will be just over 2,471,000 jobs in the region in 2015. With a working age population of some 3.3 million this will be well below the number needed to meet demand. Nearly 980,000 people of working age (nearly 26%) will remain workless and 7.4% will be unemployed. Worklessness rates will be as high as 32% in Sandwell and Walsall, 33% in Wolverhampton, 35% in Stoke-on-Trent, 36% in Coventry and 40% in Birmingham.

Under the up-skilling scenario, based on raising workforce skills to close the gap with England, the number of available jobs would be slightly higher at 2,481,200. Nearly 838,000 people of working age would still be workless.

Under the up-skilling and diversification scenario, which combines this up-skilling with a strategy to attract and develop more businesses from high value added sectors, the number of jobs in the region would rise more significantly to nearly 2.7 million by 2015. Nevertheless there would still be more than 654,000 people not in paid employment (nearly 20% of those of working age) and the unemployment rate would still be 4.9%.

The impact would vary significantly, however, at local level:

- In areas where fast growing, high value added industries are most strongly represented and qualification attainment and employment rates are already relatively high worklessness rates would fall more sharply under the up-skilling and diversification scenario (for example to 14% in Staffordshire and Worcestershire, 12% in Solihull, 11% in Warwickshire and 10% in Herefordshire). As a result there is a danger of labour shortages and an overheating of the labour market. While significant numbers of jobs at local employers are already taken by in-commuters, the figure would rise significantly.
- However in other places where high value added industries still account for only a limited share of jobs, and disadvantaged groups account for a significant proportion of the working age population, employment prospects would remain relatively poor. For example rates of worklessness would still be as high as 30% in Sandwell and Walsall, 31% in Wolverhampton, 33% in Stoke-on-Trent, 34% in Coventry and 37% in Birmingham.

3 Regional Context

3.1 Economic & employment prospects

As highlighted in paper one the West Midlands was the only region in the country to see a fall in private sector jobs in the decade to 2008. Higher value added activities and high growth firms with the potential to create new, skilled jobs are less well represented than in many other regions. This has meant that, although the share of employment in the public sector is not as high as in some other parts of the country (for example the North East) the West Midlands has seen a sharp increase in dependence on public sector jobs. This has been the most significant in the country and the region is particularly vulnerable to the cuts in expenditure announced by the government.

Paper two reveals that, as a result, employment prospects in the West Midlands are poor over the next five years. While we expect that around 850,000 job opportunities will arise between now and 2015, more than 500,000 of these will be part of the normal 'churn' in the job market where no new vacancies are created. A further 350,000 will result from retirements from the labour market and will be filled predominantly by those already in work[1]. Our baseline forecast[2] indicates that the net effect of the limited creation of new job opportunities in the private sector and the loss of many jobs in the public sector will be a fall in employment of more than 38,000.

As a result just focusing on matching the supply of skills with expected demand will not deliver the volume or quality of jobs needed in the West Midlands. There is a need for urgent, radical, transformational change to deliver the skills needed to support the creation of more and better jobs[3]. Investment in the demand, supply and effective use of skills by existing businesses can play a key role in this process - as private sector businesses constrained by skill gaps and shortages start to achieve their growth potential. Nevertheless net new job creation would still be offset by the impact of cuts in public sector expenditure and there would be net loss of nearly 28,000 jobs.

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[1] Source: Observatory analysis based on Our baseline forecast, which we have produced using our forecasting tool the Policy Assessment Model (PAM) and Labour Force Survey data
[2] Our baseline forecast takes account of the expected impact of the public sector cuts
[3] Source: West Midlands Skills Partnership – More Jobs, Better Jobs: West Midlands Skills Investment Priorities 2011-2012

But net job growth would be much more significant if this up-skilling policy was combined with investment in other drivers of the economy such as innovation, enterprise, inward investment, transport and sites and premises. For example if the share of GVA accounted for by fast growing, higher value added private sector industries increased to match the England average by 2015 more than 160,000 net new jobs would be created, even factoring in the impact of the public sector cuts. Under this scenario there is potential for significant growth in employment over the 2010-2015 period in high value added industries that have a growing presence in the West Midlands. These include business & professional services, advanced manufacturing, building technologies & low carbon construction and ICT & digital media.

3.2 The available working age population

A key issue will be the extent to which the jobs created will meet the demand for employment across the West Midlands - from those already in work and looking to progress their careers and from the unemployed and inactive looking to improve their life chances. In 2009 the number of working age adults in the West Midlands was just over 3,269,000[4] (latest available figures). There have been significant shifts in the structure of the working age population over the last decade, which are set to continue into the future. While the region's workforce profile is ageing, especially in the region's rural areas, it is becoming younger and more ethnically diverse in many urban areas[5]. These variations across the region are largely the result of:

- Migration patterns: with large numbers of older people moving from the major urban areas towards the surrounding districts and beyond and younger people moving in the opposite direction.
- The expansion of minority ethnic communities: many of which have a young age profile. The West Midlands has one of the most ethnically diverse populations in the Country, with minority ethnic groups concentrated in the major urban centres of Birmingham, Coventry and the Black Country. The main minority ethnic groups in the region are of Indian, Pakistani, Bangladeshi and Black Caribbean origin.

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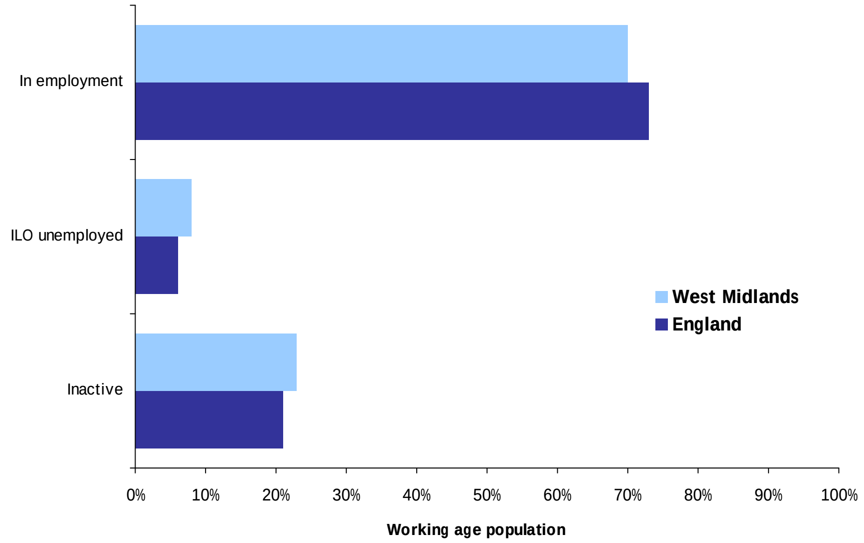
[4] Office for National Statistics, Annual Population Survey 2009
[5] Observatory State of the Region Synthesis Report, 2008

3.2.1 Participation in employment

At 70% in 2009 the proportion of West Midlands residents who were in employment (around 2,284,000 people) was well below the England average of 73% and the third lowest in the country. In turn, this means 30% of the working age population were workless[6], 7% were unemployed (246,000) and 23% were economically inactive (739,000).

1. Working age population in West Midlands & England, 2009



Source: APS 2009 West Midlands Regional Observatory 2010 1

3.2.2 Age breakdown

The proportion of young people not engaged in employment, education or training (NEET) tends to be particularly high in the region. Some 7% of 16-18 year olds were NEET in 2009, the fourth highest rate in England and this is reflected in high rates of youth unemployment. Chart 2 below shows that in the West Midlands less than half of 16-24 year olds were in employment in 2009 and 1 in 7 young people were unemployed – the second highest figure in England after the North East[7].

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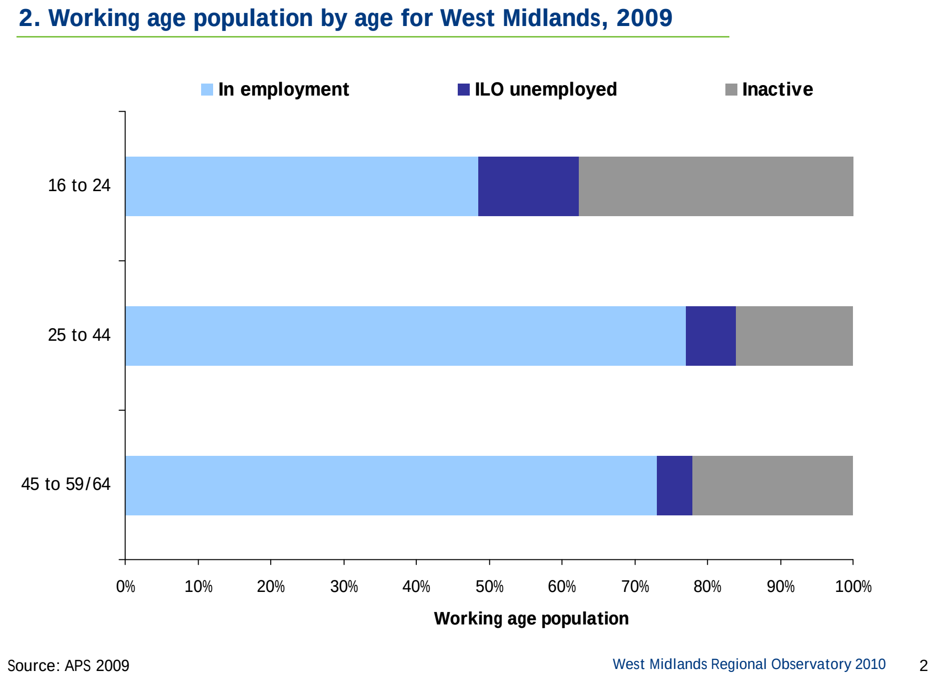
[6] The proportion of the working age population who are not in employment - this includes people who are unemployed and people who are economically inactive e.g. people who are sick/disabled, students, people looking after the family and home, and retired people.
[7] Annual population Survey 2009

The same chart shows that the employment rate for the Region peaks amongst those aged 25-44 at around 77% but falls to 73% for those aged 45 or more. While these figures reflect the fact that many older people retire early, a significant number have done so involuntarily and more could potentially be done to help them to remain in employment[8]. While many older people are highly qualified and can contribute valuable skills and experience, some are less well equipped to re-enter the labour market.

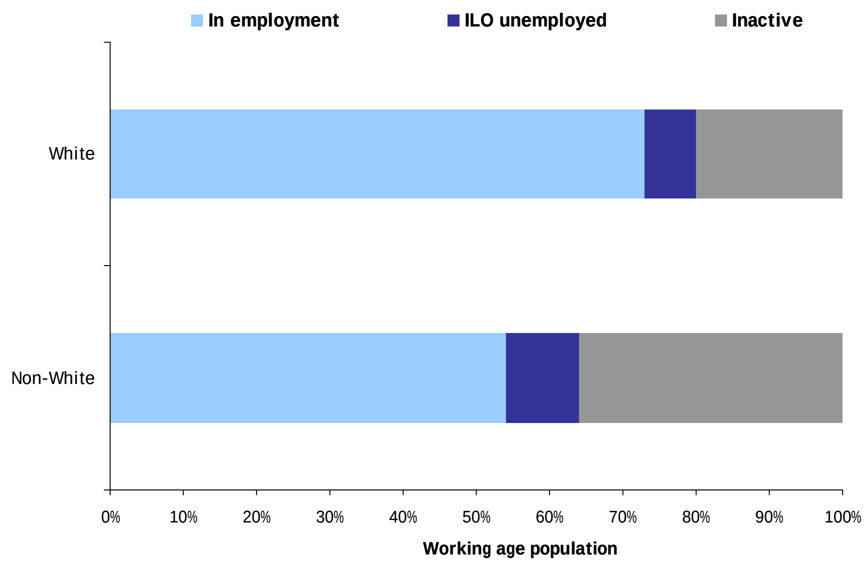


3.2.3 Ethnic breakdown

Rates of participation in employment for people from ethnic minority communities are also well below that of the region's working age population as a whole. As chart 3 shows, just over half (54%) of the non-white population were in employment in 2009, compared with a rate of 73% for the White community.

[8] For further details see the Observatory's report: *Attitudes, motivations and barriers to engagement in learning, skills and employment among disadvantaged groups and communities*: http://www.wmro.org/standardTemplate.aspx/Home/OurResearch/People/RaisingAspirations

3. Working age population by ethnicity for West Midlands, 2009



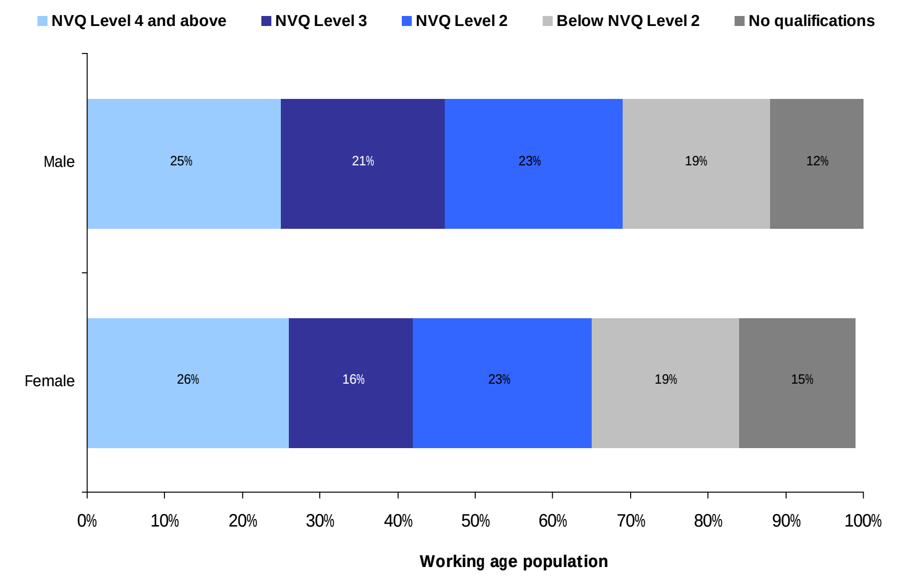
Source: APS 2009 West Midlands Regional Observatory 2010 3

3.2.4 Qualification attainment

A lack of relevant skills and qualifications, often in combination with factors such disabilities and health problems and a lack of mobility, are key barriers to participation in employment for disadvantaged individuals[9]. For example as chart 4 shows 15% of women had no qualifications in 2009, compared to a figure of 12% for males.

[9] Source: West Midlands Regional Observatory - Economic Inclusion Baseline Report, 2009

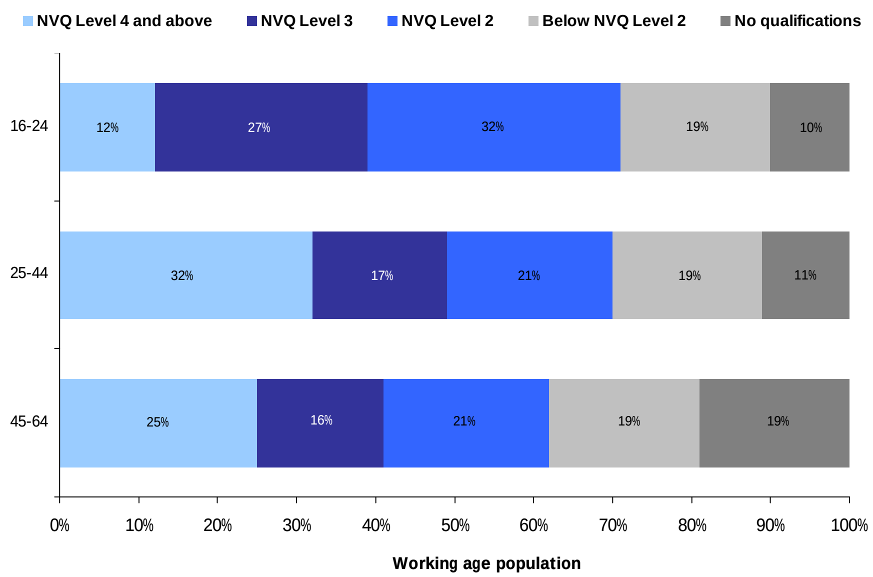
4. Qualification levels by gender in West Midlands, 2009



Source: LFS 2009 West Midlands Regional Observatory 2010 4

In addition, while older people are accounting for a growing share of the working age population and represent an important source of labour and skills, only a relatively low proportion hold higher level qualifications. For example only 25% of working age adults aged 45+ hold qualifications at NVQ level 4 or above (compared with 32% of 25-44 year olds), 16% are qualified to level 3 (compared with 17% of 25-44 year olds and 27% of 16-24 year olds) and 21% are qualified to level 2 (compared with 32% of 16-24 year olds). At the same time almost 1 in 5 hold no formal qualifications - the second highest percentage in England.

5. Qualification levels by age in West Midlands, 2009

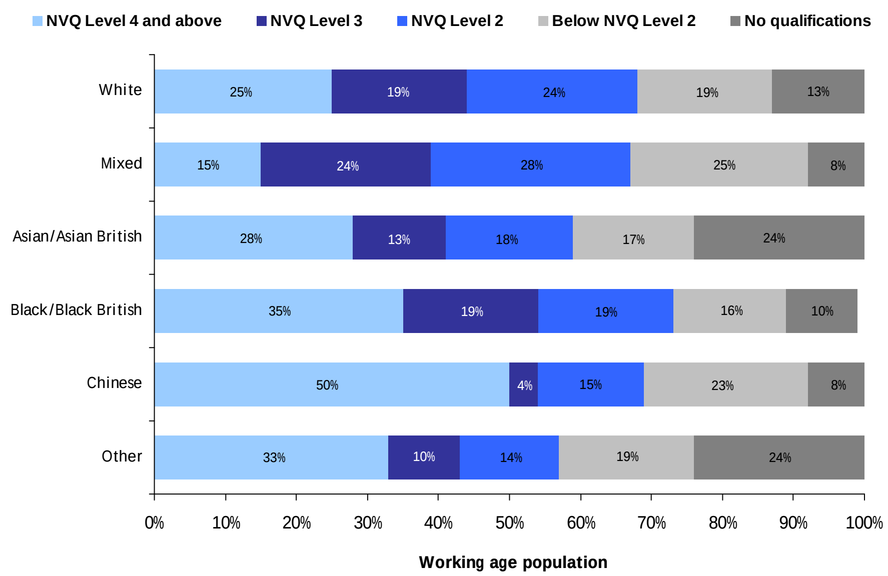


Source: LFS 2009 West Midlands Regional Observatory 2010 5

Similarly participation in education and training is particularly low amongst many of the region's minority ethnic communities. For example, as chart 6 shows, some 24% of people from Asian/British Asian groups and 'Other' ethnic minorities held no formal qualifications in 2009 compared with 14% for the region's working age population as a whole. The figure was even higher for Pakistani & Bangladeshi communities at 32%.

It is notable however that some ethnic minority groups have significant proportions of people with higher level qualifications and are better equipped to access and progress in employment. Half of the Chinese community, a third of those from Black or Black British communities (and 50% of those with Black African or Black Other backgrounds) and more than 28% of those from the Asian or Asian British communities (and 41% of those with Indian backgrounds) have qualifications equivalent to NVQ level 4 and above.

6. Qualification levels by ethnicity in West Midlands, 2009



Source: LFS 2009

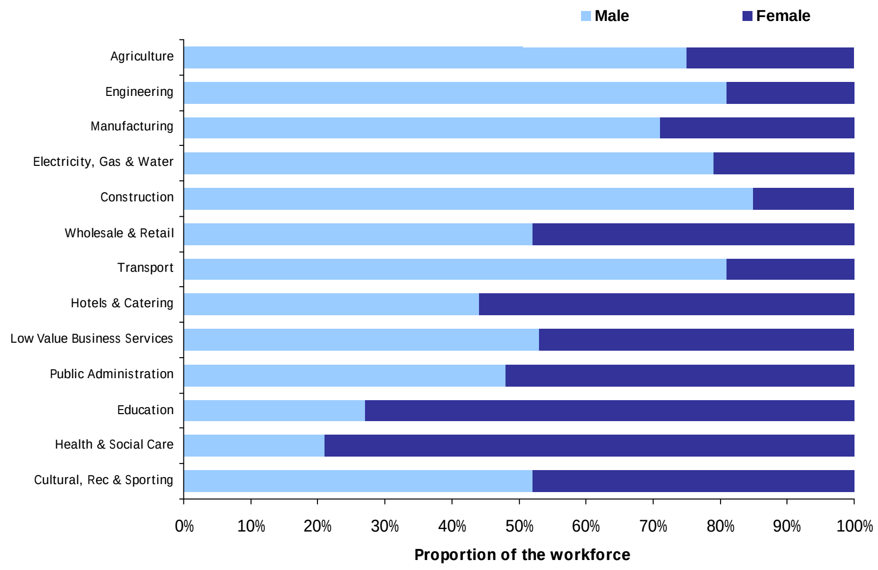
West Midlands Regional Observatory 2010 6

3.2.5 Key employment sectors

Factors such as poor qualification and skills attainment mean that, even when people from these disadvantaged groups find employment, many tend to work in lower skilled, lower paid jobs. These are typically in sectors such as hotels and catering, wholesale and retail and health and social care – rather than the high value-added industries forecast to grow most strongly in the West Midlands over the next 5 years. Employment is often transient with high rates of staff turnover.

As the chart below shows, key sectors in the region such as health and social care (79%) and hotels and catering (56%) employ a disproportionate number of women, many of whom are employed on a part time basis.

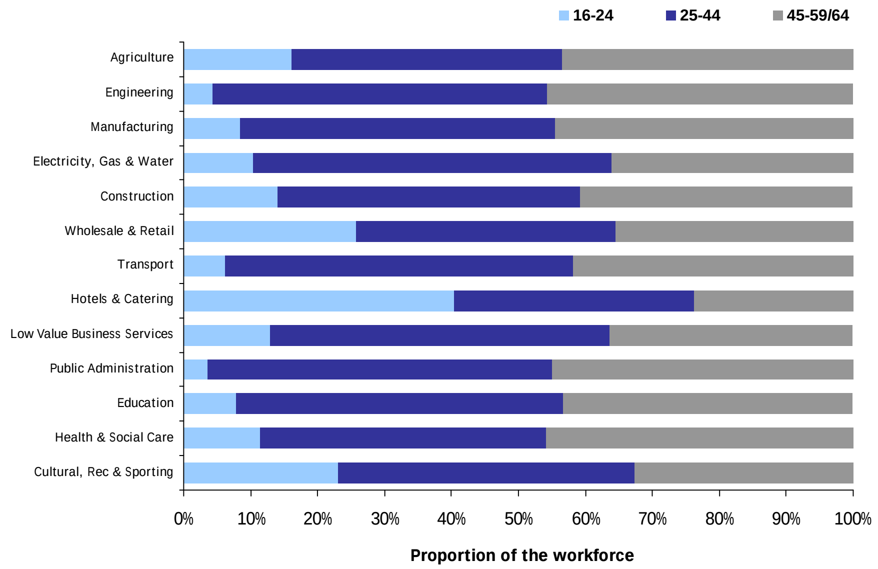
7. Sector workforce by gender in West Midlands, 2009



Source: LFS 2009 West Midlands Regional Observatory 2010 7

Both the hotels and catering and wholesale and retail sectors, meanwhile, have a predominantly young workforce[10]. 16-24 year olds account for 46% and 26% of employment respectively (see chart 8 overleaf) – and they often work in temporary, part time jobs.

8. Sector workforce by age in West Midlands, 2009



Source: LFS 2009 West Midlands Regional Observatory 2010 8

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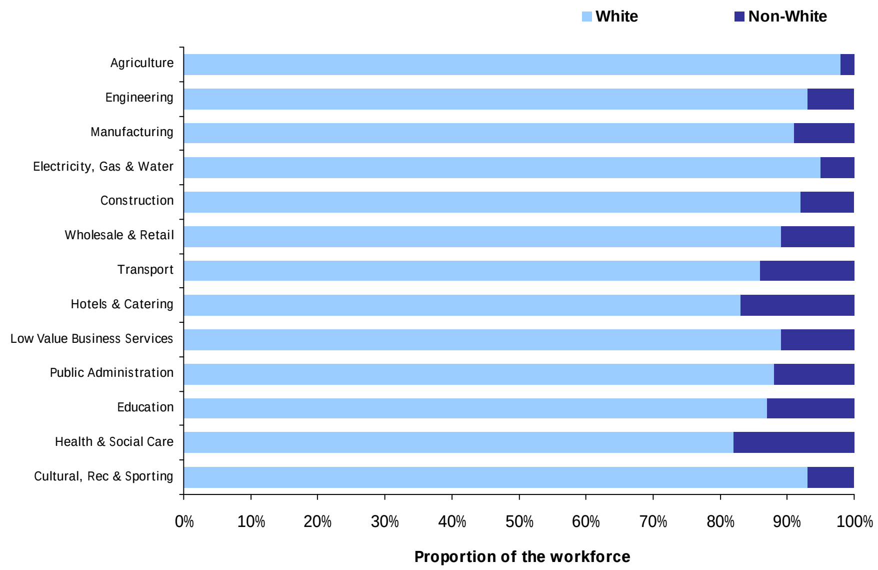
[10] Source: ONS Labour Force Survey

While minority ethnic groups continue to account for a growing share of the region's working age population, those from minority ethnic groups who have successfully secured employment are unevenly represented across key sectors of the regional economy. In particular they are over-represented in health and social care (18% of the workforce) and hotels and catering (17%), often working in lower skilled and more poorly paid jobs. The Asian/British Asian community, in particular, features heavily in these sectors. People from Pakistani or Bangladeshi communities make up 10% of those employed in hotels and catering and the Indian community makes up 4% of the workforce in the health and social care sector.

9. Sector workforce by ethnicity in West Midlands, 2009

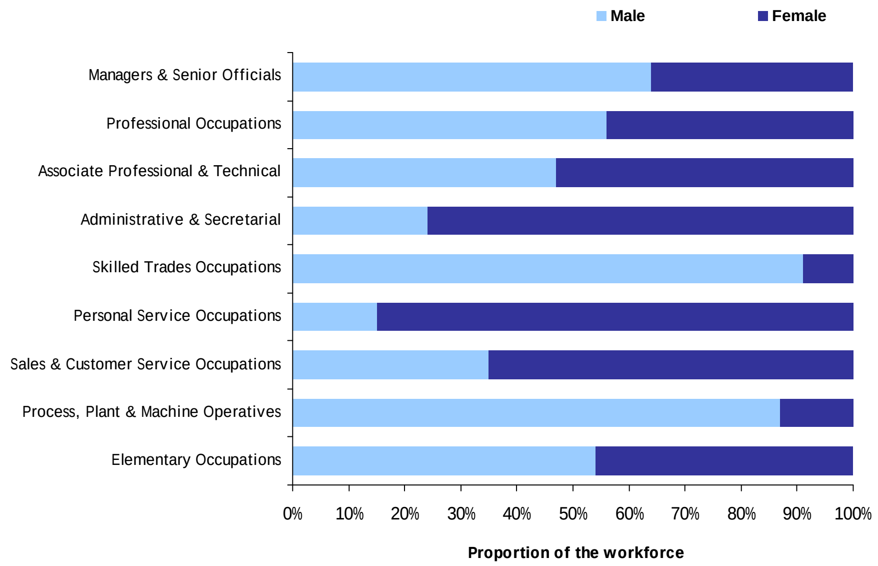


Source: LFS 2009 West Midlands Regional Observatory 2010 9

3.2.6 Key occupations

Similarly a significant proportion of women, young people, older age groups and people from the region's ethnic minority communities tend to work in lower skilled and low paid occupations. As chart 10 shows women are predominant amongst those employed in personal service occupations (85%) and administrative and secretarial roles (76%).

10. Occupation level by gender in West Midlands, 2009

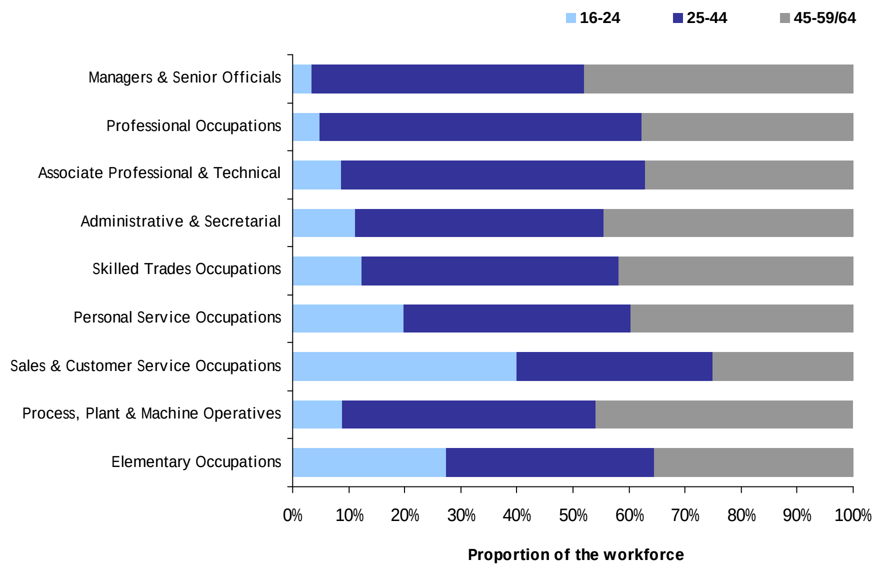


Source: LFS 2009

West Midlands Regional Observatory 2010 10

Young people, meanwhile, make up a higher share of those employed in lower skilled occupations, such as sales & customer service occupations (40%) and elementary occupations (27%). In contrast many older people have developed considerable expertise and experience and they account for 48% of managers in the West Midlands. However they also account for 46% of process, plant and machine operatives (including assemblers and transport drivers) and 44% of administrative and secretarial staff.

11. Occupation level by age in West Midlands, 2009

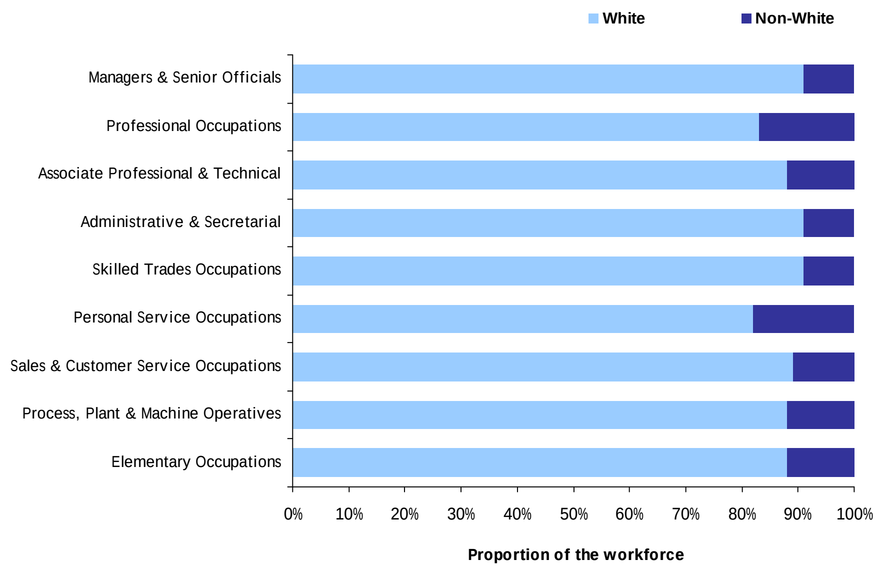


Source: LFS 2009

West Midlands Regional Observatory 2010 11

Many people from ethnic minority backgrounds also work in lower skilled and lower paid occupations. For example some 18% of people working in personal service occupations (such as health care and related services and childcare services) are non-white, with a significant proportion from the Black Caribbean, Black African or Black Other community (7%). At the same time however, a substantial number of people from ethnic minority communities work in more senior positions (reflecting, as highlighted in section 2.2.4, the fact that significant proportions of people in some groups hold higher level qualifications). For example some 17% of those employed in professional occupations are from non-white backgrounds, with 7% from the Indian community.

12. Occupation level by ethnicity in West Midlands, 2009



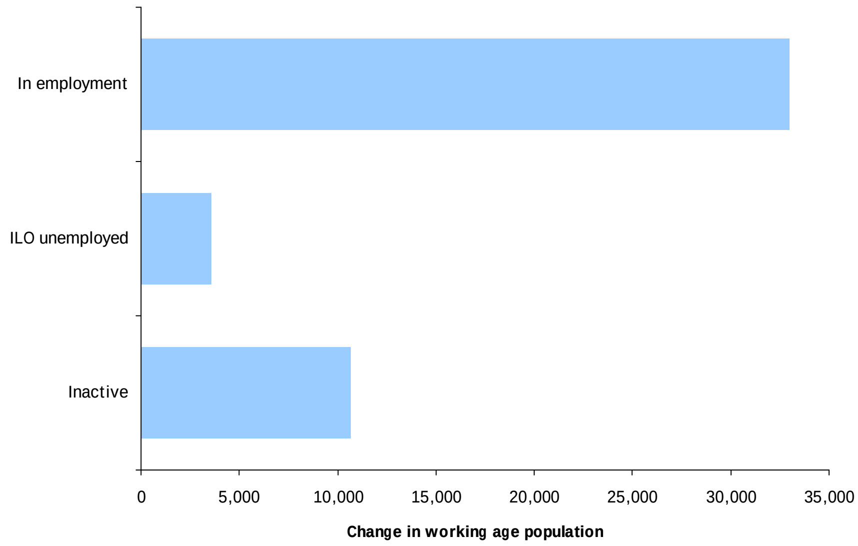
Source: LFS 2009

West Midlands Regional Observatory 2010 12

3.2.7 Forecasts to 2015

According to ONS population projections the West Midlands' working age population will grow slightly by 1.4% (47,200) over the 2009-2015 period to total just under 3,317,000. Of these it is estimated that around 2,312,000 will be in employment and just over 1 million will be workless.

13. Working age population change 2009 - 2015 in West Midlands



Source: APS 2009/ONS Sub-national population projections/Observatory analysis West Midlands Regional Observatory 2010 13

4 Supply and demand for jobs at a sub-regional and local level

4.1 Economic & employment prospects

As detailed in section 2.1, our baseline forecast indicates that a net fall in employment of more than 38,000 is expected across the West Midlands over the 2010-2015 period. Under our up-skilling scenario net new job creation would still be offset by the impact of cuts in public sector expenditure there would be a net loss of nearly 28,000 jobs. Job growth would be led by the small number of areas where high value added industries with strong growth prospects are already relatively well established such as Solihull, Tamworth, Telford & Wrekin and Warwick.

Under our up-skilling and diversification scenario, meanwhile, there would be much more significant job growth. Even factoring in the impact of the public sector cuts, more than 160,000 net new jobs would be created. Job growth would be spread more widely across the West Midlands to all areas where high value added industries have a presence. As well as Solihull, Tamworth, Telford & Wrekin and Warwick these include Birmingham, Coventry, Stratford-on-Avon, Lichfield, Newcastle-under-Lyme, Malvern Hills and Redditch.

4.2 The available working age population

Again a key issue will be the extent to which the jobs created will meet the demand for employment from those already in work and those looking to progress their careers and from the unemployed and inactive looking to improve their life chances in different parts of the West Midlands. Of the region's working age population of 3,269,000 in 2009 (latest available figures) the largest numbers lived in the urban areas of Birmingham and Solihull[11] (753,300) and the Black Country (649,500). A further 645,700 lived in Staffordshire and Stoke-on-Trent, 518,700 lived in Coventry and Warwickshire, 369,400 lived in the Marches (Herefordshire, Shropshire and Telford & Wrekin) and 331,800 lived in Worcestershire.

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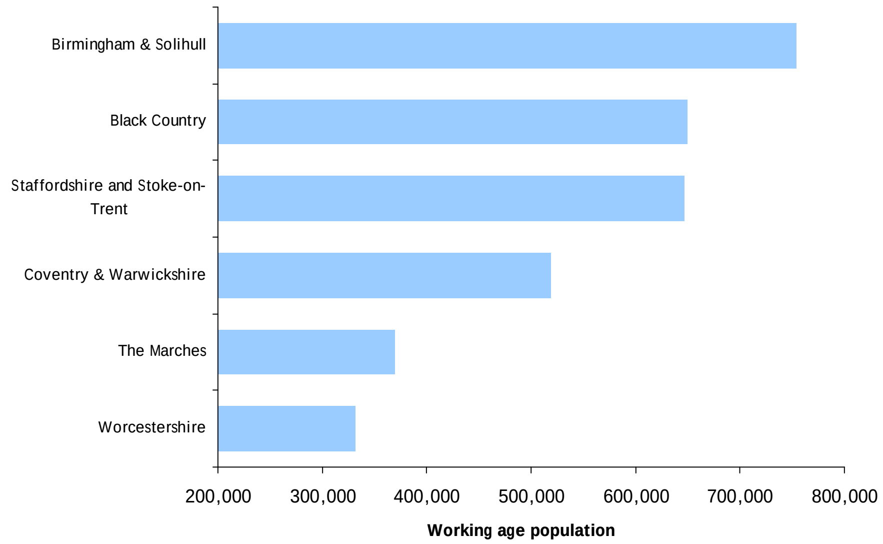
[11] Please note that the Birmingham and Solihull area does not include the Staffordshire districts that form part of the proposed Local Enterprise Partnership (LEP)

14. Working age population by proposed LEP area, 2009



Source: APS 2009

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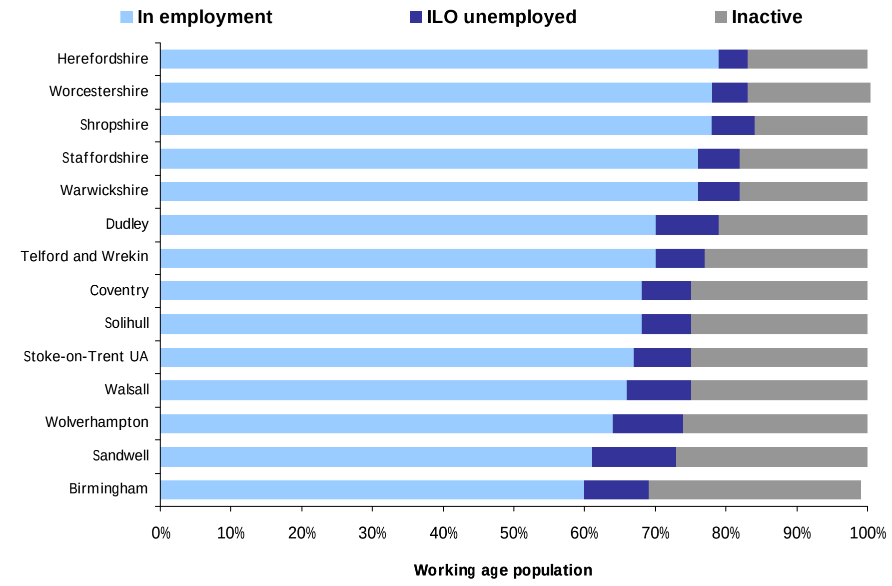
4.2.1 Participation in employment

Employment rates vary widely across the West Midlands, reflecting concentrations of disadvantaged communities. For example, as chart 15 shows, while nearly 80%[12] of the working age population was in employment in 2009 in Herefordshire, Worcestershire and Shropshire the rate fell to just 66% in Walsall, 64% in Wolverhampton, 61% in Sandwell and just 60% in Birmingham.

[12] Source: Annual Population Survey – Jan-Dec 2009

15. Working age population by LA area, 2009



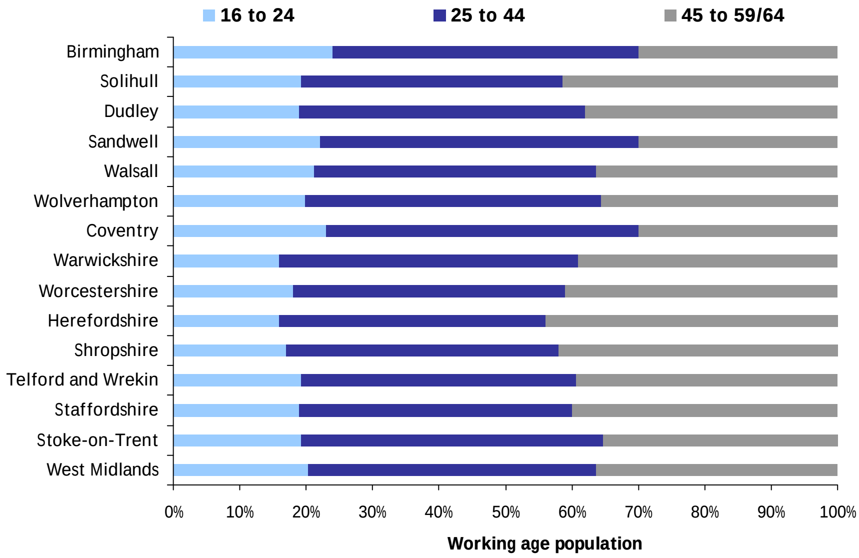
Source: APS 2009

West Midlands Regional Observatory 2010 15

4.2.2 Age breakdown

As mentioned in section 3.2 many of the region's urban areas tend to have a relatively young working age population – but as highlighted in section 3.2.2 many face barriers to accessing employment. For example, as chart 16 shows, in 2009 some 24% of the working age population in Birmingham were aged between 16 and 24 - well above the regional average of 20%. Only 40% were in paid employment, however, well below the regional average of 49%. Similarly some 23% of the working age population were 16-24 year olds in Coventry but only 42% were in paid employment and 22% of the working age population were 16-24 year olds in Sandwell, although only 38% were in paid employment.

16. Working age population by age by LA area, 2009



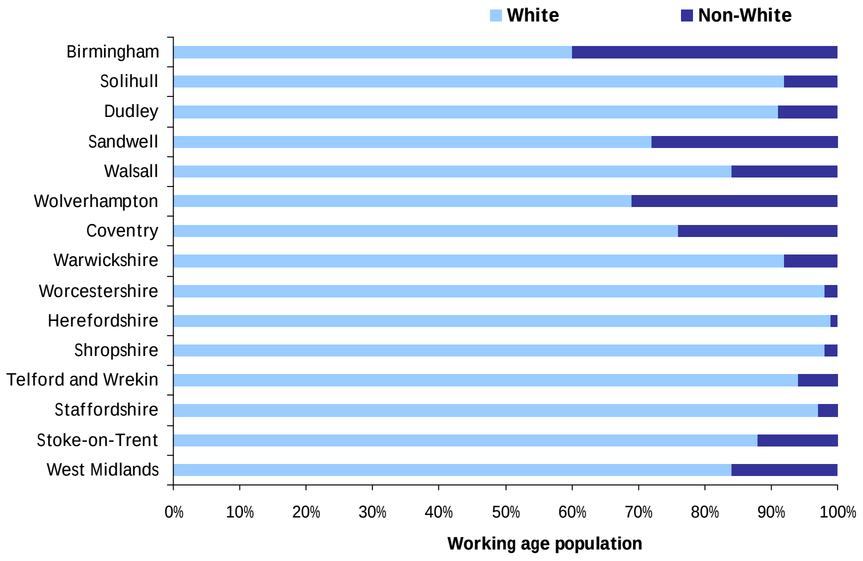
Source: APS 2009 West Midlands Regional Observatory 2010 16

4.2.3 Ethnic breakdown

As mentioned in section 3.2, the West Midlands has a particularly diverse population (in 2009 some 16% of those of working age were from an ethnic minority group, compared to 13% nationally). As chart 17 shows these communities tend to be concentrated in urban areas of the region. For example 24% of the working age population in Coventry, 28% in Sandwell, 31% in Wolverhampton and some 40% in Birmingham was non-white in 2009.

As highlighted in section 3.2.3 many of these individuals are disadvantaged in the labour market and find it difficult to find employment. For example in Birmingham only 48% of the non-white working age population were in paid employment in 2009 – which compares with a figure of 65% for white people of working age.

17. Working age population by ethnicity by LA area, 2009



Source: APS 2009

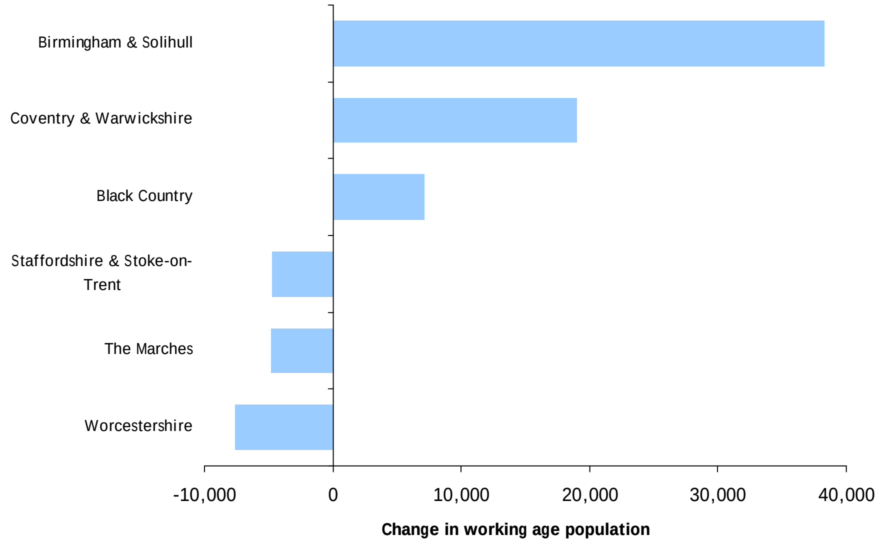
West Midlands Regional Observatory 2010 17

4.2.4 Forecasts to 2015

Across the West Midlands the working age population is expected to increase over the 2009-2015 period in some areas but decrease in others (see chart 18):

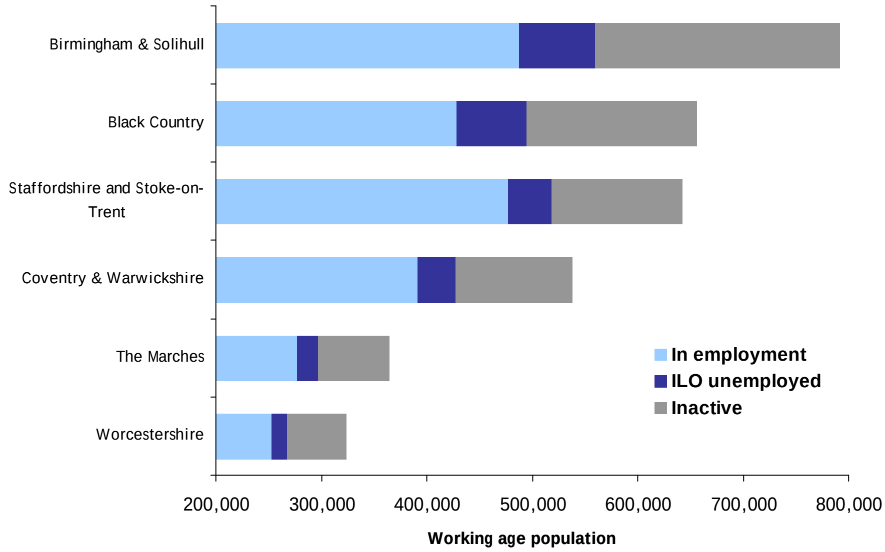
- Numbers of people working age are expected to increase in areas with a young population. In Birmingham and Solihull numbers are projected to rise by 38,300 to total 791,600, in Coventry & Warwickshire there is expected to be an increase of 19,000 to 537,700 and in the Black Country a rise of 7,100 to 428,500 is projected. However as highlighted previously in section 4.2.1 significant numbers of local people are disadvantaged in the labour market and many are likely to be workless (see chart 19).
- In areas with an ageing population, meanwhile, the population of working age is expected to fall. In Worcestershire numbers are projected to fall by 7,600 to 324,200, in the Marches there is expected to be a fall of 4,900 to 364,500 while in Staffordshire & Stoke-on-Trent a fall of 4,800 to 641,900 is projected. As highlighted previously employment rates are relatively high in some of these areas and so labour shortages and 'overheating' of the labour market is a possibility in the future.

18. Working age population change from 2009 - 2015 by proposed LEP area



Source: APS 2009/ONS Sub-national population projections/Observatory analysis West Midlands Regional Observatory 2010 18

19. Working age population by proposed LEP area, 2015



Source: APS 2009/ONS Sub-national population projections/Observatory analysis West Midlands Regional Observatory 2010 19

5 Commuting and travel to work patterns

As discussed in section 3 in many urban areas of the West Midlands significant numbers of people lack the skills and qualifications employers are looking for. In other parts of the region, meanwhile, the population is ageing and numbers of people of working age are falling. As a result many local businesses, and particularly those in higher value added industries who require staff with higher level skills, are tending to recruit from further afield – and rates of both in and out-commuting are high in many areas.

5.1 Birmingham and Solihull

In 2009, just over 137,000 jobs in Birmingham (36%[13]) were taken by in-commuters (see table 1 below). While the largest numbers were from Solihull (7%), Sandwell (5%) and Walsall (3%) many travelled from areas further afield such as Bromsgrove, Redditch and Lichfield. At the same time more 79,900 Birmingham residents (21%) commuted to others areas to work – notably to Solihull (7%), Sandwell (3%), Walsall (1%) and Bromsgrove (1%).

In Solihull more than 43,200 local jobs (more than half) were taken by in commuters. Over 26% of Solihull's workforce lived in Birmingham, 3% were from Coventry and a further 2% were from Bromsgrove. Around 42,200 local residents (just over half) , meanwhile, travelled to work outside the area - 35% to Birmingham, 4% to Coventry, 2% to North Warwickshire and 2% to Warwick.

Table 1: Commuting patterns in Birmingham and Solihull

	Proportion of jobs taken by people living in the area	Proportion of jobs taken by in-commuters	Proportion of working residents working in the area	Proportion of working residents commuting elsewhere
Birmingham & Solihull	**72%**	**28%**	**84%**	**16%**
Birmingham	64%	36%	79%	21%
Solihull	48%	52%	49%	51%

Source: Census 2001 (latest data available)

[13] 2001 Population Census (latest data available)

5.2 Black Country

In Dudley nearly 39,800 local jobs (31%)[14] were taken by in-commuters (see table 2 below) – mainly from Sandwell (9%), Wolverhampton (4%), Birmingham and South Staffordshire (3% in both cases). At the same time nearly 50,000 Dudley residents (39%) commuted to others areas to work - 13% to Sandwell, 9% to Birmingham and 6% to Wolverhampton.

More than 51,300 jobs in Sandwell (nearly half) were taken by in-commuters, predominately from Dudley (15%) and Birmingham (10%). Just over 47,000 Sandwell residents (44%) commuted to surrounding areas for work, meanwhile, notably to Birmingham (21%), Dudley (10%), Walsall (5%) and Wolverhampton (3%).

In Walsall more than 38,400 jobs (39%) were taken by in-commuters. As well as in-commuters from Wolverhampton (8%), Sandwell (6%) and Birmingham (5%), people also commuted from South Staffordshire, Cannock Chase and Lichfield (4% from each). At the same time more than 38,400 local residents from Walsall (39%) commuted to other areas - primarily to Birmingham (14%), Sandwell (8%) and Wolverhampton (7%).

Some 38,000 local jobs (42%) were taken by in-commuters in Wolverhampton – the highest proportion (11%) commuted from South Staffordshire and 8% commuted from Dudley and 7% from Walsall. Just over 32,500 Wolverhampton residents (36%) commuted to surrounding areas for work, meanwhile - the majority to Walsall (9%), Sandwell (6%), Dudley (5%) and Birmingham (5%).

Table 2: Commuting patterns in the Black Country

	Proportion of jobs taken by people living in the area	Proportion of jobs taken by in-commuters	Proportion of working residents working in the area	Proportion of working residents commuting elsewhere
Black Country	**79%**	**21%**	**79%**	**21%**
Dudley	69%	31%	61%	39%
Sandwell	52%	48%	56%	44%
Walsall	61%	39%	61%	39%
Wolverhampton	58%	42%	64%	36%

Source: Census 2001 (latest data available)

[14] 2001 Population Census (latest data available)

5.3 Coventry and Warwickshire

Nearly 42,900 jobs in Coventry (32%)[15] were taken by in-commuters (see table 3 below) – with the majority from neighbouring Warwickshire districts of Nuneaton & Bedworth (9%), Warwick (5%) and Rugby (4%). A further 2% commuted from Solihull. At the same time nearly 33,500 (25%) of Coventry residents commuted to other areas - mainly to Warwick (6%), Rugby (4%), Nuneaton & Bedworth (3%) and Birmingham (3%).

Some 70,600 jobs in Warwickshire (29%) were taken by in-commuters - with 8% from Coventry, 6% from the East Midlands, 3% from Birmingham, and 2% from each of Solihull and Tamworth. Nearly 77,900 local residents from Warwickshire (32%) commuted to surrounding areas meanwhile, with 11% travelling to Coventry, 5% to Birmingham, 5% to the East Midlands and 2% to Solihull.

Table 3: Commuting patterns in Coventry and Warwickshire

	Proportion of jobs taken by people living in the area	Proportion of jobs taken by in-commuters	Proportion of working residents working in the area	Proportion of working residents commuting elsewhere
Coventry & Warwickshire	**82%**	**18%**	**83%**	**17%**
Coventry	68%	32%	75%	25%
Warwickshire	71%	29%	68%	32%

Source: Census 2001 (latest data available)

5.4 Worcestershire

Nearly 38,700 local jobs (15%) were taken by in-commuters in Worcestershire, with 3% of commuters from Birmingham and 2% each from Dudley, Herefordshire and the South West region. At the same time more than 64,500 local residents (25%) commuted to surrounding areas for work - 8% to Birmingham, 3% from the South West, and 2% each from Dudley, Stratford-Upon-Avon and Solihull.

[15] 2001 Population Census (latest data available)

Table 4: Commuting patterns in Worcestershire

	Proportion of jobs taken by people living in the area	Proportion of jobs taken by in-commuters	Proportion of working residents working in the area	Proportion of working residents commuting elsewhere
Worcestershire	**85%**	**15%**	**75%**	**25%**

Source: Census 2001 (latest data available)

5.5 The Marches

In contrast the vast majority of jobs in Herefordshire were recruited from the local labour market with less than 8,900 jobs (only 11%[16]) taken by in-commuters (see table 5). Of these 6% came from outside the West Midlands (mainly from Wales and the South West), 2% were from Malvern Hills and 2% from Shropshire. Similarly less than 12,900 local people (16%) commuted to other areas for work – 8% leaving the region, along with 2% each to Malvern Hills and Worcester (2%).

Similarly only 22,000 local jobs in Shropshire (17%) were taken by in-commuters, of which 5% were from Telford & Wrekin and 4% from Wales. Just over 36,300 local residents (28%) commuted to other areas meanwhile, mainly to Telford & Wrekin (9%), Wales (3%), Wolverhampton (2%) and the North West region (2%).

Just over 18,200 jobs in Telford & Wrekin (26%) were taken by in-commuters, with the majority (15%) from Shropshire and a further 2% from Wolverhampton. At the same time around 14,000 local people (20%) commuted to surrounding areas for work – including 8% to Shropshire and 3% to Wolverhampton.

Table 5: Commuting patterns in the Marches

	Proportion of jobs taken by people living in the area	Proportion of jobs taken by in-commuters	Proportion of working residents working in the area	Proportion of working residents commuting elsewhere
The Marches	**89%**	**11%**	**86%**	**14%**
Herefordshire	89%	11%	84%	16%
Shropshire	83%	17%	72%	28%
Telford & Wrekin	74%	26%	80%	20%

Source: Census 2001 (latest data available)

[16] 2001 Population Census (latest data available)

5.6 Staffordshire and Stoke-on-Trent

More than 83,900 local jobs in Staffordshire (22%) were taken by in-commuters (see table 6) – with 6% of from Stoke-on-Trent, 5% from the East Midlands and 2% each from the North West, Walsall and Wolverhampton. At the same time more than 133,400 (35%) of Staffordshire residents commuted to other areas to work – notably to Stoke-on-Trent (9%), Birmingham (5%), Wolverhampton (4%), Walsall (4%) and 3% each to the East Midlands and North West

Similarly over 35,800 jobs in Stoke-on-Trent (36%) are taken by in-commuters – with the majority from Newcastle-Under-Lyme (15%) and Staffordshire Moorlands (9%) and 4% each from Stafford district and the North West region. Nearly 26,800 local people (27%) commuted to surrounding areas for work, meanwhile – the majority to Staffordshire, mainly to Newcastle-Under-Lyme (10%) Stafford (5%) and Staffordshire Moorlands (4%), along with 4% travelling to the North West.

Table 6: Commuting patterns in Staffordshire and Stoke-on-Trent

	Proportion of jobs taken by people living in the area	Proportion of jobs taken by in-commuters	Proportion of working residents working in the area	Proportion of working residents commuting elsewhere
Staffordshire & Stoke-on-Trent	**86%**	**14%**	**77%**	**23%**
Staffordshire	78%	22%	65%	35%
Stoke-on-Trent	64%	36%	73%	27%

Source: Census 2001 (latest data available)

6 The balance of supply and demand

The Skills Investment Priorities for the Region developed by the West Midlands Skills Partnership (WMSP) highlight concerns that, without radical, transformational change, insufficient jobs will be created over the next few years to provide work for the unemployed, help maintain social cohesion and provide prosperity for all in the West Midlands. In this section, based on the previous analysis of the volume of new jobs expected to be created over the next 5 years, numbers of people likely to be seeking employment, workforce demographics and patterns of labour market disadvantage and in and out commuting, we assess the extent to which the demands of local people are likely to be met.

6.1 The West Midlands as a whole

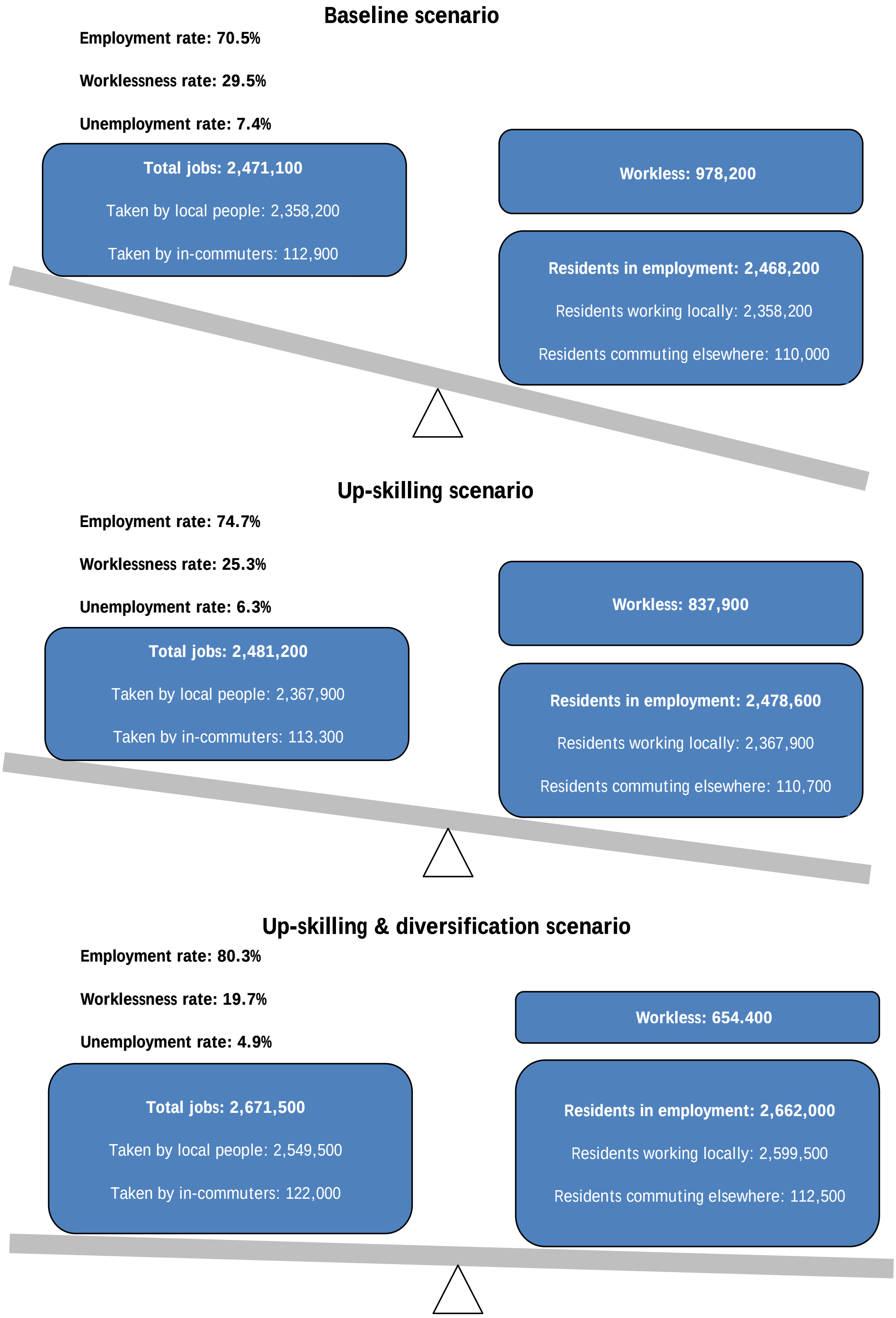
Our baseline forecast indicates that there will be just over 2,471,000 jobs in the region in 2015 (see figure 1). Based on historical commuting patterns, of these 95%[17] (2,358,000) would be taken by local people. However the jobs available will be insufficient to meet demand. Nearly 980,000 people of working age (nearly 30%) will remain workless and 7.4% will be unemployed.

Under the up-skilling scenario, based on raising workforce skills to close the gap with England, the number of available jobs would be slightly higher at 2,481,200. Nearly 838,000 people of working age would still be workless.

Under the up-skilling and diversification scenario, which combines this up-skilling with a strategy to attract and develop more businesses from high value added sectors, the number of jobs in the region would rise more significantly to more than 2,671,000. Nevertheless there would still be more than 654,000 people not in paid employment (nearly 20% of those of working age) and the unemployment rate would still be 4.9%.

[17] Census 2001 (latest data available)

Figure 1: Job supply and demand in the West Midlands in 2015 - alternative scenarios



Source: Cambridge Econometrics/ONS sub-national population projections/2001 Census/Observatory analysis

6.1.1 Birmingham and Solihull

Our baseline forecast indicates that there will be 603,000 jobs at local employers in 2015 (see figure 2). Based on historical commuting patterns, of these just over 434,000 (72%)[18] will be taken by local people and just under 169,000 (28%) will be taken by in-commuters. However the jobs available will be insufficient to meet demand. Nearly 275,000 people of working age (just under 35%) will remain workless and 8.2% will be unemployed.

Under the up-skilling scenario, based on raising workforce skills to close the gap with England, the number of available jobs would be slightly higher at just over 603,000. Nevertheless more than 275,000 people of working age would still be workless and the unemployment rate would still be 8.2%. Under the up-skilling and diversification scenario, which combines this up-skilling with a strategy to attract and develop more businesses from high value added sectors, the number of jobs at local employers would rise more significantly to more than 666,000. Nevertheless there would still be more than 220,000 people not in paid employment (just under 28% of those of working age) and the unemployment rate would still be 6.6%.

However this aggregate picture masks significant differences at a local level. As table 7 below shows, even under the up-skilling and diversification scenario, more than 37% of people in Birmingham of working age would still be without paid employment in 2015. In Solihull meanwhile, this figure falls to just under 13% - with a danger of labour shortages and an overheating of the labour market. While significant numbers of jobs at local employers are already taken by in-commuters, the figure would rise significantly under this scenario.

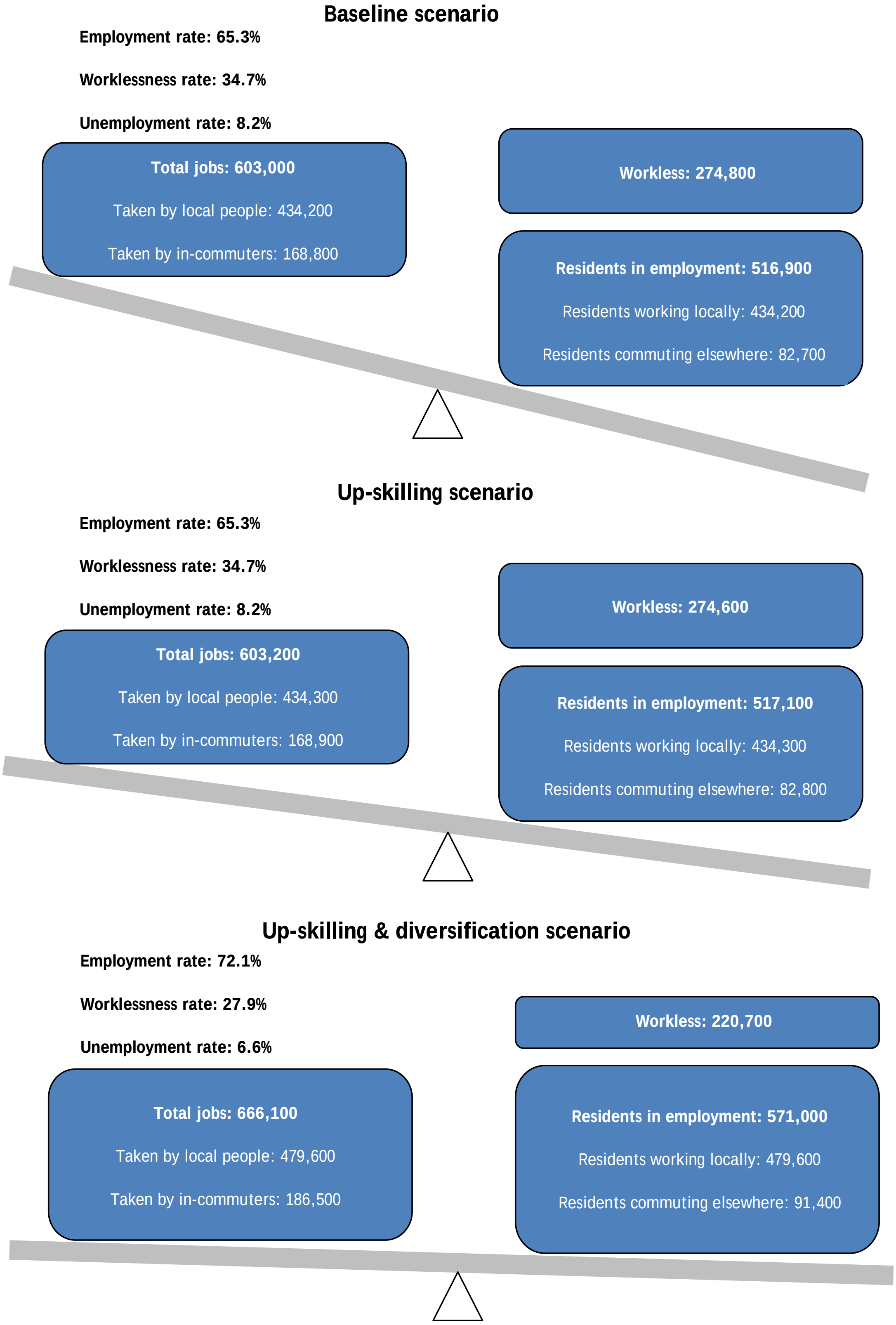
Table 7: Local level prospects in 2015

	Scenario	Employment rate	Worklessness rate
Birmingham	Baseline Forecast	60.3%	39.7%
	Up-skilling Scenario	60.5%	39.5%
	Up-skilling and diversification Scenario	62.8%	37.2%
Solihull	Baseline Forecast	84.1%	15.9%
	Up-skilling Scenario	84.2%	15.8%
	Up-skilling and diversification Scenario	87.2%	12.8%

[18] Census 2001 (latest data available)

Source: Cambridge Econometrics/ONS sub-national population projections/ Observatory analysis

Figure 2: Job supply and demand in Birmingham & Solihull in 2015 - alternative scenarios



Source: Cambridge Econometrics/ONS sub-national population projections/2001 Census/Observatory analysis

6.1.2 Black Country

Our baseline forecast indicates that there will be more than 460,000 jobs at local employers in 2015 (see figure 3). Based on historical commuting patterns, of these nearly 364,000 (79%)[19] will be taken by local people and just under 97,000 (21%) will be taken by in-commuters. However the jobs available will be insufficient to meet demand. Nearly 196,000 people of working age (nearly 30%) will remain workless and 8.7% will be unemployed.

Under the up-skilling scenario, based on raising workforce skills to close the gap with England, the number of available jobs would be slightly higher at just over 463,000. Of these more than 366,500 would be taken by local people and just over 97,000 would be taken by in-commuters. Nevertheless more than 193,000 people of working age would still be workless and the unemployment rate would still be 8.6%. Under the up-skilling and diversification scenario, which combines this up-skilling with a strategy to attract and develop more businesses from high value added sectors, the number of jobs at local employers would rise more significantly to more than 490,000. Nevertheless there would still be more than 166,000 people not in paid employment (just over 28% of those of working age) and the unemployment rate would still be 7.4%.

This aggregate picture masks differences in employment prospects at a local level. As table 8 below shows, even under the up-skilling and diversification scenario around 30% of people of working age would still be without paid employment in 2015 in Sandwell and Walsall and the figure would be nearly 31% in Wolverhampton. Employment prospects would be a little better in Dudley, meanwhile, with a worklessness rate of just under 23%.

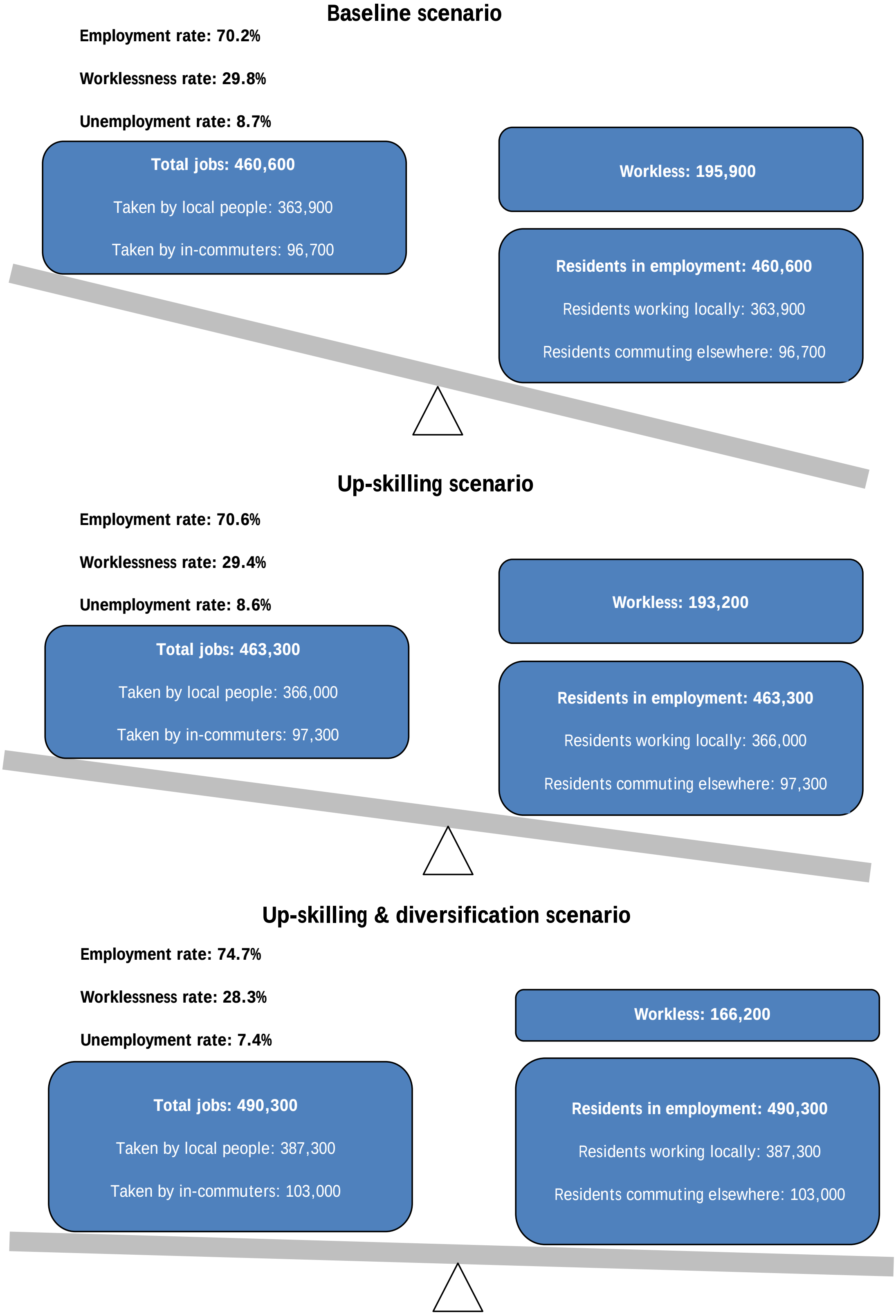
[19] Census 2001 (latest data available)

Table 8: Local level prospects in 2015

	Scenario	Employment rate	Worklessness rate
Dudley	Baseline Forecast	75.4%	24.6%
	Up-skilling Scenario	75.4%	24.6%
	Up-skilling and diversification Scenario	77.4%	22.6%
Sandwell	Baseline Forecast	67.7%	32.3%
	Up-skilling Scenario	67.9%	32.1%
	Up-skilling and diversification Scenario	70.3%	29.7%
Walsall	Baseline Forecast	67.9%	32.1%
	Up-skilling Scenario	68.1%	31.9%
	Up-skilling and diversification Scenario	69.8%	30.2%
Wolverhampton	Baseline Forecast	66.6%	33.4%
	Up-skilling Scenario	66.8%	33.2%
	Up-skilling and diversification Scenario	69.1%	30.9%

Source: Cambridge Econometrics/ONS sub-national population projections/ Observatory analysis

Figure 3: Job supply and demand in the Black Country in 2015 - alternative scenarios



Source: Cambridge Econometrics/ONS sub-national population projections/2001 Census/Observatory analysis

6.1.3 Coventry & Warwickshire

Our baseline forecast indicates that there will be just under 421,000 jobs at local employers in 2015 (see figure 4). Based on historical commuting patterns, of these just over 345,000 (82%) will be taken by local people and just under 76,000 (18%) will be taken by in-commuters. However the jobs available will be insufficient to meet demand. Just under 122,000 people of working age (just under 23%) will remain workless and 5.5% will be unemployed.

Under the up-skilling scenario, based on raising workforce skills to close the gap with England, the number of available jobs would be slightly higher at just over 423,000. Of these 347,000 would be taken by local people. Nevertheless just under 120,000 people of working age would still be workless and the unemployment rate would still be 5.4%.

Under the up-skilling and diversification scenario, which combines this up-skilling with a strategy to attract and develop more businesses from high value added sectors, there is a danger of labour shortages and an overheating of the labour market. The number of jobs at local employers would rise to more than 460,000, the number of workless would be cut to just under 83,000 (just over 15% of the working age population) and the unemployment rate would fall to less than 4%.

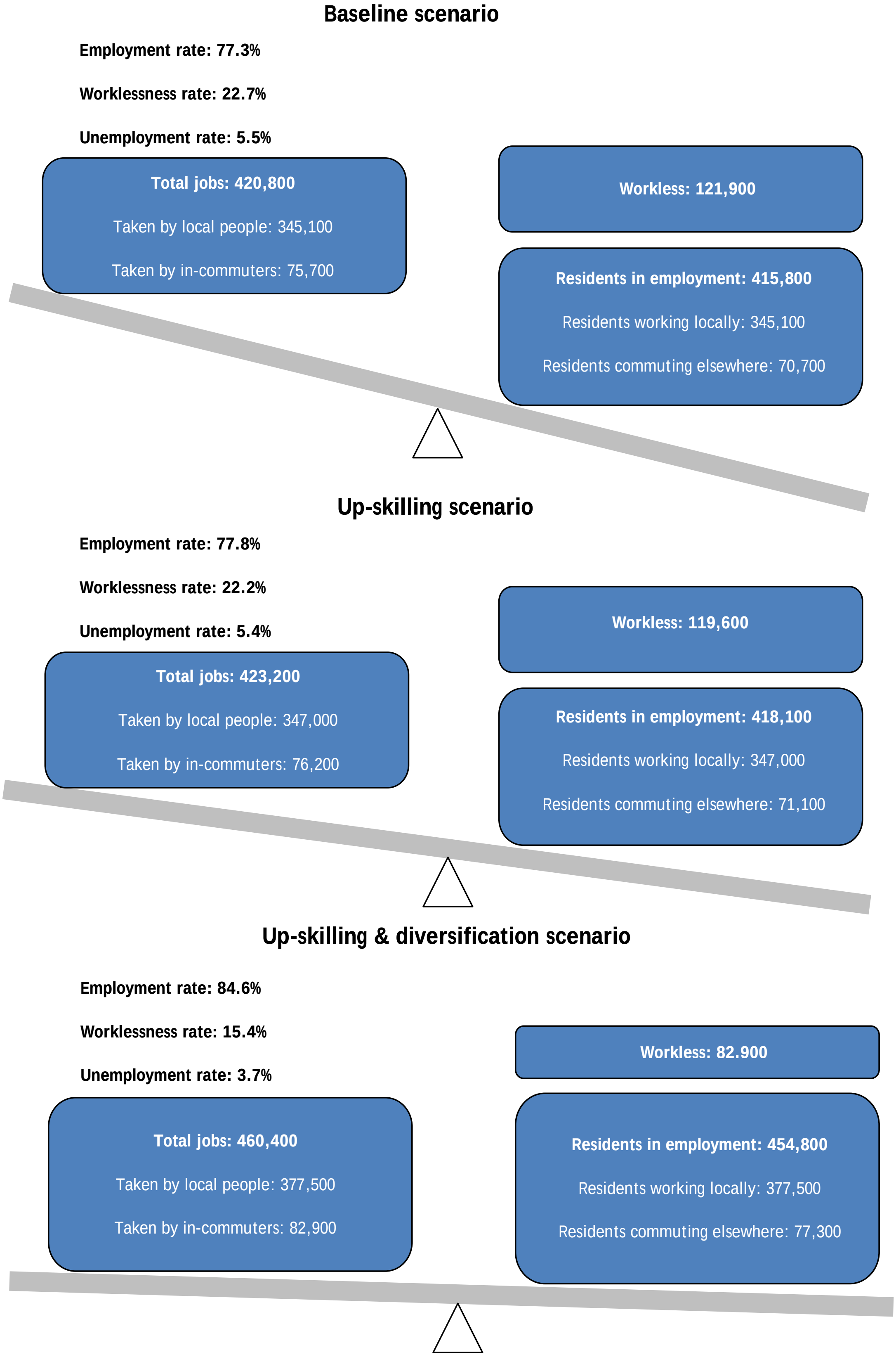
However this aggregate picture masks significant differences at a local level. As table 9 below shows, even under the up-skilling and diversification scenario employment prospects in Coventry would remain relatively poor with more than a third of people of working age without paid employment in 2015. In Warwickshire, meanwhile, this figure falls to just under 11%. While significant numbers of jobs at local employers are already taken by in-commuters, the figure would rise significantly under this scenario.

Table 9: Local level prospects in 2015

	Scenario	Employment rate	Worklessness rate
Coventry	Baseline Forecast	64.0%	36.0%
	Up-skilling Scenario	64.1%	35.9%
	Up-skilling and diversification Scenario	66.3%	33.7%
Warwickshire	Baseline Forecast	86.7%	13.3%
	Up-skilling Scenario	86.8%	13.2%
	Up-skilling and diversification Scenario	89.2%	10.8%

Source: Cambridge Econometrics/ONS sub-national population projections/ Observatory analysis

Figure 4: Job supply and demand in Coventry & Warwickshire in 2015 - alternative scenarios



Source: Cambridge Econometrics/ONS sub-national population projections/2001 Census/Observatory analysis

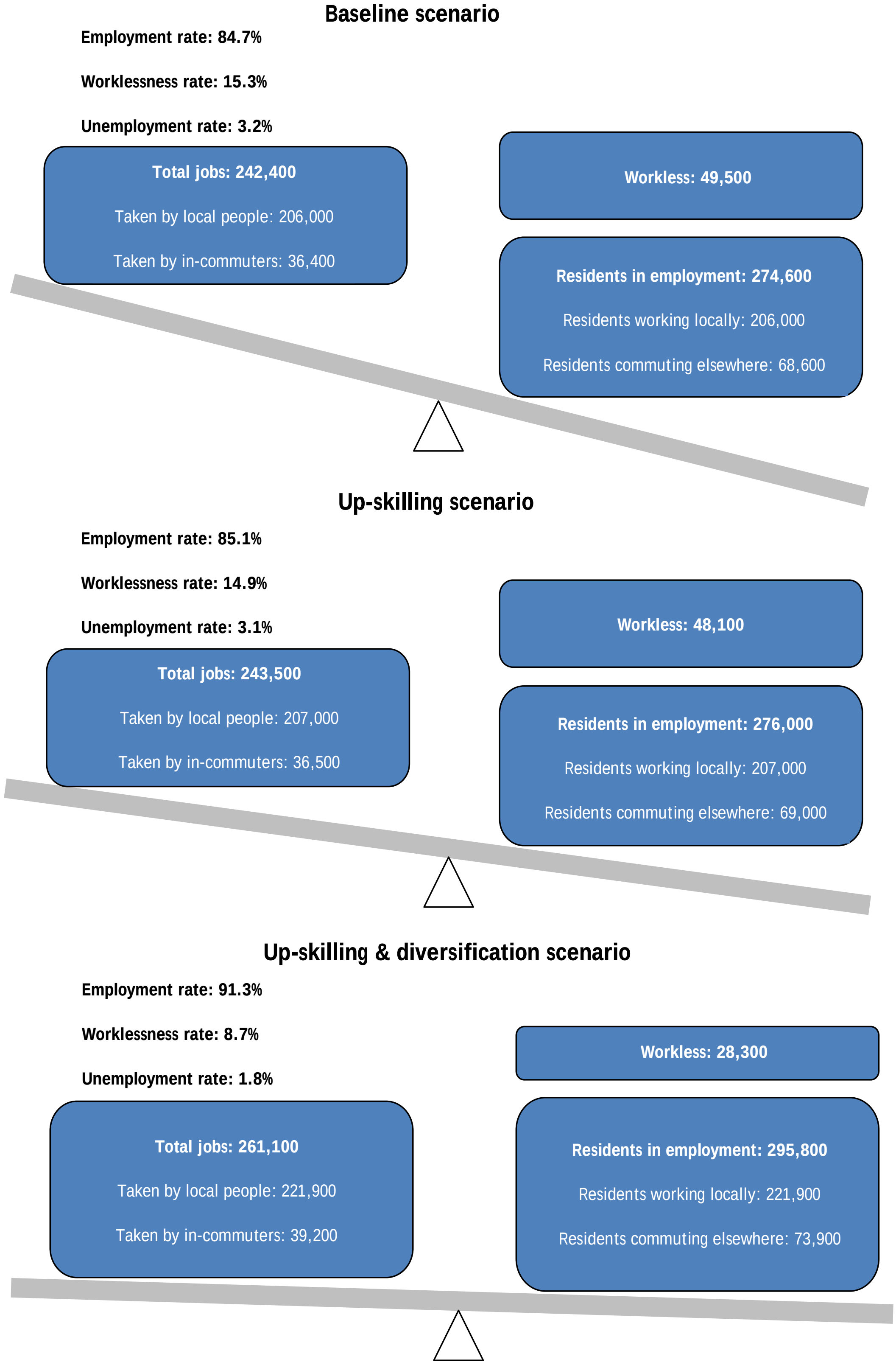
6.1.4 Worcestershire

Our baseline forecast indicates that there will be just over 242,000 jobs at local employers in 2015 (see figure 5). Based on historical commuting patterns, of these 206,000 (85%) will be taken by local people and just over 36,000 (15%) will be taken by in-commuters. With an employment rate of just under 85% and an unemployment rate of just 3.2% these opportunities will meet a significant proportion of the demand for jobs. Nevertheless there will still be nearly 49,500 people (just over 15% of the working age population) not in paid employment.

Under the up-skilling scenario, based on raising workforce skills to close the gap with England, the number of available jobs would be slightly higher at just over 243,000. Of these 207,000 would be taken by local people and just over 36,000 would be taken by in-commuters.

Under the up-skilling and diversification scenario, which combines this up-skilling with a strategy to attract and develop more businesses from high value added sectors, there is a danger of labour shortages and an overheating of the labour market. The number of jobs at local employers would rise to more than 261,000, the number of workless would be cut to just over 28,000 people (less than 9% of the working age population) and the unemployment rate would fall to less than 2%. While significant numbers of jobs at local employers are already taken by in-commuters, the figure would rise significantly under this scenario.

Figure 5: Job supply and demand in Worcestershire in 2015 - alternative scenarios



Source: Cambridge Econometrics/ONS sub-national population projections/2001 Census/Observatory analysis

6.1.5 The Marches

Our baseline forecast indicates that there will be just under 291,000 jobs at local employers in 2015 (see figure 6). Based on historical commuting patterns, of these just under 260,000 (89%) will be taken by local people and 32,000 (11%) will be taken by in-commuters. However the jobs available will be insufficient to meet demand. Nearly 82,000 people of working age (just over 22%) will remain workless and 5.2% will be unemployed.

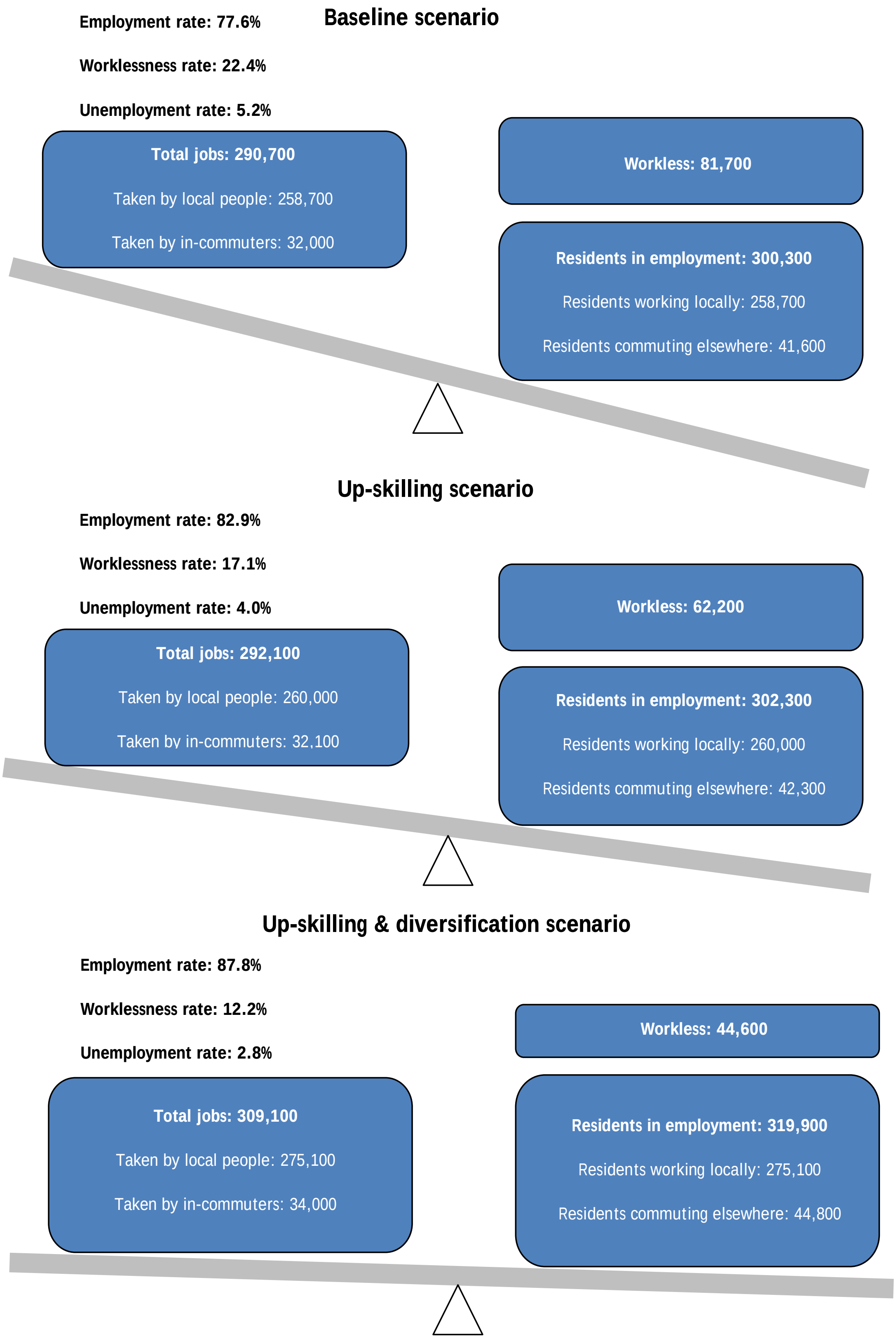
Under the up-skilling scenario, based on raising workforce skills to close the gap with England, the number of available jobs would be slightly higher at just over 292,000. Under the up-skilling and diversification scenario, which combines this up-skilling with a strategy to attract and develop more businesses from high value added sectors, many more new jobs would be created and there is a danger of labour shortages and an overheating of the labour market. The number of jobs at local employers would rise to more than 309,000. The number of workless would be cut to less than 45,000 people (just over 12% of the working age population) and the unemployment rate would fall to less than 3%. While significant numbers of jobs at local employers are already taken by in-commuters, the figure would rise significantly under this scenario. These factors are expected to affect all of the strategic local authorities that form the Marches area, and Herefordshire in particular where the worklessness rate is projected to fall to less than 10% (see table 10).

Table 10: Local level prospects in 2015

	Scenario	Employment rate	Worklessness rate
Herefordshire	Baseline Forecast	89.4%	10.6%
	Up-skilling Scenario	89.5%	10.5%
	Up-skilling and diversification Scenario	90.5%	9.5%
Shropshire	Baseline Forecast	84.8%	15.2%
	Up-skilling Scenario	84.9%	15.1%
	Up-skilling and diversification Scenario	86.6%	13.4%
Telford & Wrekin	Baseline Forecast	79.1%	20.9%
	Up-skilling Scenario	79.2%	20.8%
	Up-skilling and diversification Scenario	81.6%	18.4%

Source: Cambridge Econometrics/ONS sub-national population projections/ Observatory analysis

Figure 6: Job supply and demand in the Marches in 2015 - alternative scenarios



Source: Cambridge Econometrics/ONS sub-national population projections/2001 Census/Observatory analysis

6.1.6 Staffordshire and Stoke-on-Trent

Our baseline indicates that there will be nearly 454,000 jobs at local employers in 2015 (see figure 7). Based on historical commuting patterns, of these just over 390,000 (86%) will be taken by local people and just over 64,000 (14%) will be taken by in-commuters. However the jobs available will be insufficient to meet demand. Nearly 131,000 people of working age (just over 18%) will remain workless and 4.6% will be unemployed. Under the up-skilling scenario, based on raising workforce skills to close the gap with England, the number of available jobs would be slightly higher at just under 456,000. Nevertheless nearly 128,000 people of working age would still be workless and the unemployment rate would still be 4.5%. Under the up-skilling and diversification scenario, which combines this up-skilling with a strategy to attract and develop more businesses from high value added sectors, many more new jobs would be created and there is a danger of labour shortages and an overheating of the labour market. The number of jobs at local employers would rise to more than 484,000. The number of workless would be cut to less than 91,000 people (just under 13% of the working age population) and the unemployment rate would fall to 3.2%. While significant numbers of jobs at local employers are already taken by in-commuters, the figure would rise significantly under this scenario.

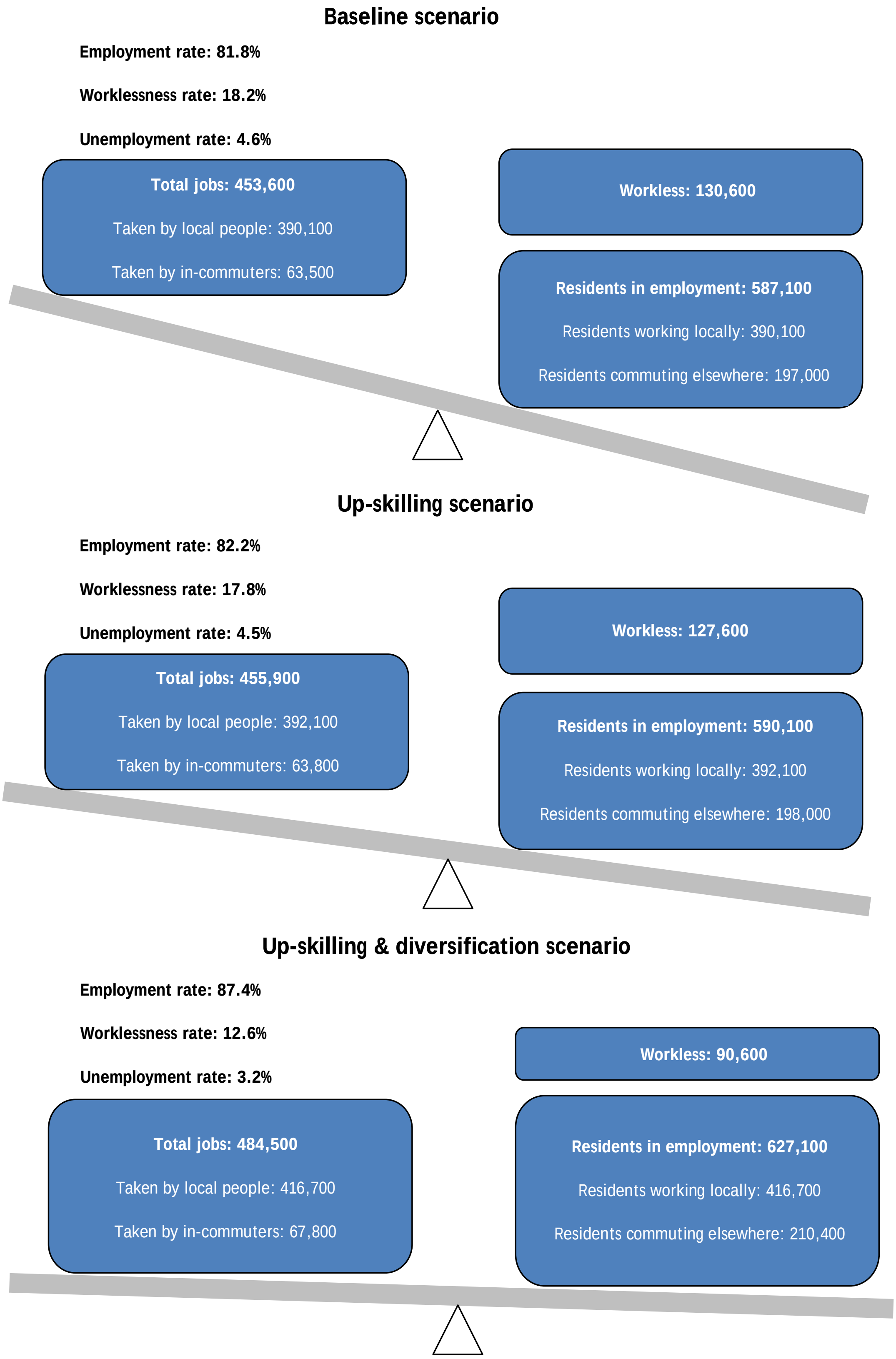
However this aggregate picture masks significant differences at a local level. As table 11 below shows, even under the up-skilling and diversification scenario employment prospects in Stoke-on-Trent would remain relatively poor with a third of people of working age without paid employment in 2015. In Staffordshire, meanwhile, this figure falls to 14%. While significant numbers of jobs at local employers are already taken by in-commuters, the figure would rise significantly under this scenario.

Table 11: Local level prospects in 2015

	Scenario	Employment rate	Worklessness rate
Staffordshire	Baseline Forecast	83.6%	16.4%
	Up-skilling Scenario	83.7%	16.3%
	Up-skilling and diversification Scenario	85.9%	14.1%
Stoke-on-Trent	Baseline Forecast	65.0%	35.0%
	Up-skilling Scenario	65.2%	34.8%
	Up-skilling and diversification Scenario	66.6%	33.4%

Source: Cambridge Econometrics/ONS sub-national population projections/ Observatory analysis

Figure 7: Job supply and demand in Staffordshire & Stoke-on-Trent in 2015 - alternative scenarios



Source: Cambridge Econometrics/ONS sub-national population projections/2001 Census/Observatory analysis

7 Conclusions and implications

The West Midlands was the only region in the country to see a fall in private sector jobs in the decade to 2008 and the region is particularly vulnerable to the cuts in expenditure announced by the government. Our baseline forecast indicates that there will be a fall in employment of more than 38,000 between now and 2015.

As a result there will be just under 2.5 million jobs in the region in 2015. With the working age population forecast to total just over 3.3 million these will be insufficient to meet demand. Nearly 980,000 people of working age (nearly 30%) will remain workless and 7.4% will be unemployed.

Employment prospects are expected to be particularly poor for disadvantaged groups such as young people and those from ethnic minority communities – and in urban areas of the West Midlands where they are concentrated. We estimate that worklessness rates in 2015 will be as high as 32% in Sandwell and Walsall, 33% in Wolverhampton, 35% in Stoke-on-Trent, 36% in Coventry and 40% in Birmingham.

> It is crucial that we do not lose a generation of young people who are unable to establish themselves effectively in the labour market. Young people suffered particularly badly as a result of the recession and still form a disproportionately large component of those who are unemployed.
>
> Department for Business, Innovation & Skills, Skills for Sustainable Growth Strategy Document, November 2010

A lack of relevant skills and qualifications, often in combination with factors such disabilities and health problems and a lack of mobility, are key barriers to participation in employment for disadvantaged individuals. These issues mean that, even when people from these disadvantaged groups find employment, many tend to work in lower skilled, lower paid jobs– rather than the high value-added industries forecast to grow most strongly in the West Midlands over the next 5 years.

Despite our progress in skills attainment too few adults still possess the skills needed to succeed in tomorrow's labour market or the motivation, confidence or opportunity to gain them.

UK Commission for Employment & Skills: Ambition 2020 – world class skills and jobs for the UK – key findings and implications for action, 2010

We still have too many people in this country whose lack of appropriate skills prevents them from finding sustainable work with prospects of progression. A combination of poor employability skills and not having the vocational skills which are relevant in the local labour market can prove a real barrier to entering and staying in work, especially for young people with no clear work history.

Department for Business, Innovation & Skills, Skills for Sustainable Growth Strategy Document, November 2010

It is clear that, without radical, transformational change, insufficient jobs will be created over the next few years to provide work for the unemployed, help maintain social cohesion and provide prosperity for all in the West Midlands.

We estimate that investment in the demand, supply and effective use of skills by existing businesses, combined with investment in other drivers of the economy such as innovation, enterprise, inward investment, transport and sites and premises, would lead to an increase in the number of jobs in the region to nearly 2.7 million by 2015. Nevertheless there would still be more than 654,000 people not in paid employment (just over 19% of those of working age) and the unemployment rate would still be 4.9%.

The impact would vary significantly, however, at local level:

- In areas where fast growing, high value added industries are most strongly represented and qualification attainment and employment rates are already relatively high worklessness rates would fall more sharply under the up-skilling and diversification scenario (for example to 14% in Staffordshire and Worcestershire, 12% in Solihull, 11% in Warwickshire and 10% in Herefordshire). As a result there is a danger of labour shortages and an overheating of the labour market. While significant numbers of jobs at local employers are already taken by in-commuters, the figure would rise significantly.

- However in other places where high value added industries still account for only a limited share of jobs, and disadvantaged groups account for a significant proportion of the working age population, employment prospects would remain relatively poor. For example rates of worklessness would still be as high as 30% in Sandwell and Walsall, 31% in Wolverhampton, 33% in Stoke-on-Trent, 34% in Coventry and 37% in Birmingham.

Full document information

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