



West Midlands
Regional
Observatory



Regional Skills Partnership
Regional Skills Assessment

Summary 2005



Regional Skills Partnership Regional Skills Assessment Summary 2005

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1.1 Introduction

The West Midlands Regional Observatory has been asked to produce an annual skills assessment in order to:

- Build on the skills baseline presented to the Regional Skills Partnership Board in January 2005
- Inform the work of key stakeholders to align the supply of training and related business support with the current and future demands of employers and individuals

The Assessment explores the fundamental changes taking place in the Regional economy and the way in which these are driving changes in the demand for skills from employers, individuals and communities. It then goes on to consider the extent to which the skills available from the workforce are ‘fit for purpose’ in meeting these demands. Specifically, the Assessment examines:

- The Region’s recent economic performance and the extent of restructuring and diversification into new sectors and industries
- Progress in the development of a high value added ‘knowledge economy’ within the Region and graduate retention
- Changes in employment demand and emerging skill needs associated with these developments in terms of higher level skills, technical and vocational skills and generic and transferable skills
- Future prospects for employment growth by sector, industry and occupation and the impact by sub-region
- The supply of human capital within the Region and qualification attainment
- The specific skill gaps and deficiencies within the Region’s workforce, by sector, occupation, skill type and sub-region
- The recruitment difficulties and skill shortages employers face and the issues that are contributing to these problems
- The extent to which employers are tackling these problems via investment in the up-skilling of the workforce
- Changing Regional demography and the implications for the supply of skills

- Labour market disadvantage in the Region and the implications for the supply of skills.
- The issues and barriers that prevent many individuals and communities from participating in learning and accessing employment

1.2 Key headlines

1.2.1 Trends in economic performance

Many of the Region's key manufacturing industries have been adversely affected by an increasingly price sensitive market and intense competition from producers in locations elsewhere in the world with a lower cost base. However, this is being offset by increasing levels of entrepreneurship and new business formation, job creation and wealth generation in other manufacturing industries such as motor vehicles and components, aerospace, jewellery & furniture, computer hardware and food & drink as well as in construction, transport & communications, ICT, research and development, professional & financial services, retailing and hotels & catering.

The Region's most successful companies are looking to compete through the quality of labour rather than the cost and the proportion of highly qualified 'knowledge workers' in the Region's workforce is increasing. The Region's knowledge economy remains weak, however, relative to competitor locations in the UK and overseas.

1.2.2 Employment trends and prospects

These developments are being reflected in a long term, occasionally dramatic shift in the balance of employment in the Region from manufacturing to services, and private sector services in particular, and an increasing emphasis on higher level managerial, professional and technical roles and customer facing sales and personal service roles. This restructuring is set to continue over the next decade. There will still be a significant demand, however, for employment in the public sector, manufacturing and construction and in manual and unskilled occupations due to the need to replace staff leaving due to job moves or retirement.

1.2.3 The demand for skills and qualifications

The long term trends require access to a pool of highly skilled people in areas such as entrepreneurship, creativity and design and in management and leadership. There is a requirement for both vocational, technical and practical skills to exploit new technology and the generic and transferable skills required to manage people and performance, solve problems and devise solutions, negotiate, influence and think strategically, work in a team, communicate effectively in verbal and written form and provide excellent customer service.

These emerging skill needs are paralleled by an increasing demand for higher level qualifications. Over the next decade there is forecast to be a 30% increase in demand for degree level qualifications and a 20% increase in demand for higher degrees. At the same time there will be a 40% decrease in demand for those with no qualifications. In a workforce of 2.7 million this requires significant response from employers, Higher Education, Further Education and training suppliers.

1.2.4 Skill gaps and deficiencies

The existing workforce often lacks the skills employers require to develop and grow. A third of the Region's employers cite such gaps. In the Region's fastest growing sectors and industries companies highlight deficiencies in both softer generic skills and a range of more technical, job-specific skills such as craft skills, manufacturing and production skills, the use of ICT and other new technology, processes and methods.

1.2.5 Workforce attainment levels

The West Midlands has the highest proportion of the workforce with no qualifications, performs poorly against other regions in terms of A-level points scores and has the second lowest proportion of high achievers qualified to NVQ level 4 or above of any English Region. While the situation is improving the gap between regional qualification attainment and the national average is still widening. A particularly high proportion of older people, people from minority ethnic communities and people living in deprived urban areas are likely to lack formal qualifications and have poor basic skills.

1.2.6 Graduate retention

The low levels of human capital within the Region are exacerbated by a failure to retain those graduating from West Midlands universities within the economy. More than half take a job outside the Region after graduating and the figure is nearly 70% for those entering employment in professional & financial services and manufacturing.

In addition, the skills and potential of many of the graduates that are retained in the Region are not fully utilised with a high proportion employed in lower skilled 'non graduate' jobs. This reflects both a lack of the employability skills and attributes among many graduates and a failure on the part of some employers to take full advantage of this key source of skills.

1.2.7 Recruitment problems and skill shortages

Many companies are struggling to address these skills problems via the recruitment of skilled and experienced people from the labour market. While some employers highlight shortages of applicants with the required skills, relevant experience, qualifications and motivation and attitude as a cause of recruitment difficulties, there are often a range of other issues and barriers. As our case study relating to the manufacturing sector shows, many employers face a lack of applicants due to negative perceptions of their sector as a career choice relating to issues such as a requirement for shift working and/or unsociable hours, poor terms and conditions, a lack of job security, limited opportunities for progression or a history of employment contraction e.g. the motor industry..

1.2.8 Demographic change and the supply of skills

If these recruitment problems are to be addressed, employers will need to exploit those sections of the population that represent a growing source of labour and skills.

Minority ethnic communities and older people are set to make up an increasing proportion of the workforce over the next decade. While our case study evidence relating to the retail sector highlights good progress at an individual company level, overall only a limited proportion of employers are targetting these groups in their recruitment and they are under-represented in the workforce and over-represented in unemployment and economic inactivity.

1.2.9 Labour market disadvantage and the supply of skills

While many of those in work lack the skills and qualifications they require to develop their careers, there are also many people within the Region who are unable to access employment and attain even the first rung of the career ladder. These people, at the margins of the labour market, represent a considerable untapped resource for employers. Research relating to the East Birmingham & North Solihull Regeneration Zone illustrates that low levels of skills and qualifications combine with other inter-linked issues relating to the availability of key services such as childcare and transport and less tangible attitudinal, motivational and cultural factors to restrict their ability to access the labour market.

The region has the third highest rate of unemployment and fourth highest rate of economic inactivity in England. Rates of unemployment and inactivity are highest in deprived urban areas, and among those groups growing particularly rapidly in the Region's population – older people and BME communities. There are also significant numbers of young people not in employment, education or training, concentrated in urban areas.

1.2.10 Employer investment in training and workforce development

Given that the Region's workforce is often deficient in the skills employers require and that many employers are encountering a range of problems when looking to recruit from the Region's labour market, the up-skilling of the existing workforce is vital. However, employers highlight a range of issues that inhibit their ability to invest in training and workforce development. The evidence suggests that, while in the majority of cases appropriate training is available, there are issues associated with the timing, mode of delivery and affordability of training. For self employed people and sole traders these issues constitute particularly significant barriers to participating in training.

1.2.11 Individuals' investment in learning

It is those most disadvantaged in the labour market that are least likely to develop their skills. Older people, people living in deprived urban areas, the most poorly qualified and those in low skilled jobs are least likely to be active learners and are likely to have the least positive attitude to learning.

The analysis highlights a range of key issues for:

- Employers as they look to access the skilled people they need, make effective use of workforce skills and invest in workforce development
- Individuals as they look to develop employability skills and exploit opportunities to progress
- Skills providers as they look to align training and business support to the demands of employers and individuals

Key issues for employers, individuals and skills providers

Employers	<p>Globalisation and economic restructuring are creating a highly competitive environment and it will be important to:</p> <p>Look to move into high value-added, knowledge based products, services and markets</p> <p>Compete on the basis of the quality, rather than the cost of labour</p> <p>Identify and develop the skills required to improve performance</p> <p>Up-skill the workforce and view training as an investment rather than a discretionary cost</p> <p>Retain graduates within the region and exploit their skills</p> <p>At a sectoral and individual company level, improve perceptions of job and career opportunities and develop more flexible employment practices</p> <p>Exploit to the full growing sources of labour and skills such as older people and BME communities</p>
Individuals	<p>The range and nature of job opportunities are changing</p> <p>There has been a shift in the balance of demand for employment from manufacturing to services and an increasing emphasis on higher skilled and 'customer facing' roles</p> <p>Employers demand both vocational and practical skills and a range of generic and transferable skills</p> <p>Over the next decade there is forecast to be a 30% increase in demand for degree level qualifications and a 20% increase in demand for higher degrees but a 40% decrease in demand for those with no qualifications</p>
Skills providers	<p>Some 30% of the Region's employers highlight gaps between the skills of their existing workforce and those required to develop and grow</p> <p>In the Region's fastest growing sectors and industries companies highlight deficiencies in both softer generic skills and a range of more technical, job-specific skills</p> <p>These skill gaps and deficiencies reflect the low level of human capital within the Region, with too many individuals and employers not reaching their full potential</p> <p>The West Midlands has the highest proportion of the workforce with no qualifications, performs poorly against other regions in terms of A-level points scores and has the second lowest proportion of high achievers qualified to NVQ level 4 or above of any English Region</p> <p>It is those most disadvantaged in the labour market that are least likely to develop their skills. Older people, people living in deprived urban areas, the most poorly qualified and those in low skilled jobs are least likely to be active learners and are likely to have the least positive attitude to learning.</p>

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