West Midlands
Regional
Observatory

Regional Skills Partnership
Regional Skills Assessment

2005

West Midlands
Regional
Observatory

Regional Skills Partnership
Regional Skills Assessment 2005

Version 1.1

19 December 2005

Document Information

Title:	Regional Skills Assessment 2005
Creator:	Andy Phillips, Head of Skills Research, West Midlands Regional Observatory, andy.phillips@wmro.org
Publisher:	West Midlands Regional Observatory, enquiries@wmro.org
Date created:	19 December 2005
Status:	Version 1.1, for publication
Document Contact:	Andy Phillips, Head of Skills Research, West Midlands Regional Observatory, andy.phillips@wmro.org

(A full set of Document Information is available at the back of this document).

Table of Contents

1 Executive Summary

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

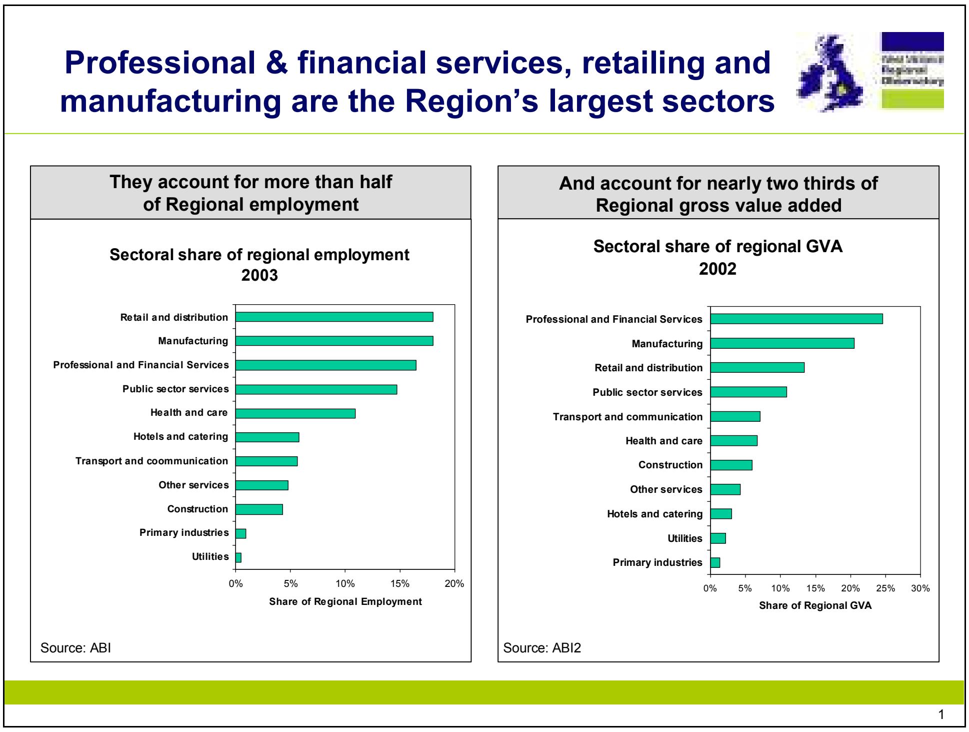
Employers	Globalisation and economic restructuring are creating a highly competitive environment and it will be important to: Look to move into high value-added, knowledge based products, services and markets Compete on the basis of the quality, rather than the cost of labour Identify and develop the skills required to improve performance Up-skill the workforce and view training as an investment rather than a discretionary cost Retain graduates within the region and exploit their skills At a sectoral and individual company level, improve perceptions of job and career opportunities and develop more flexible employment practices Exploit to the full growing sources of labour and skills such as older people and BME communities
Individuals	The range and nature of job opportunities are changing 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 Employers demand both vocational and practical skills and a range of generic and transferable skills 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
Skills providers	Some 30% of the Region's employers highlight gaps between the skills of their existing workforce and those required to develop and grow 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 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 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 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.

2 The demand for skills from employers and the Regional economy

2.1 The Region's economic structure

The Region's economy is dominated by a range of key sectors as defined by the Standard Industrial Classification.

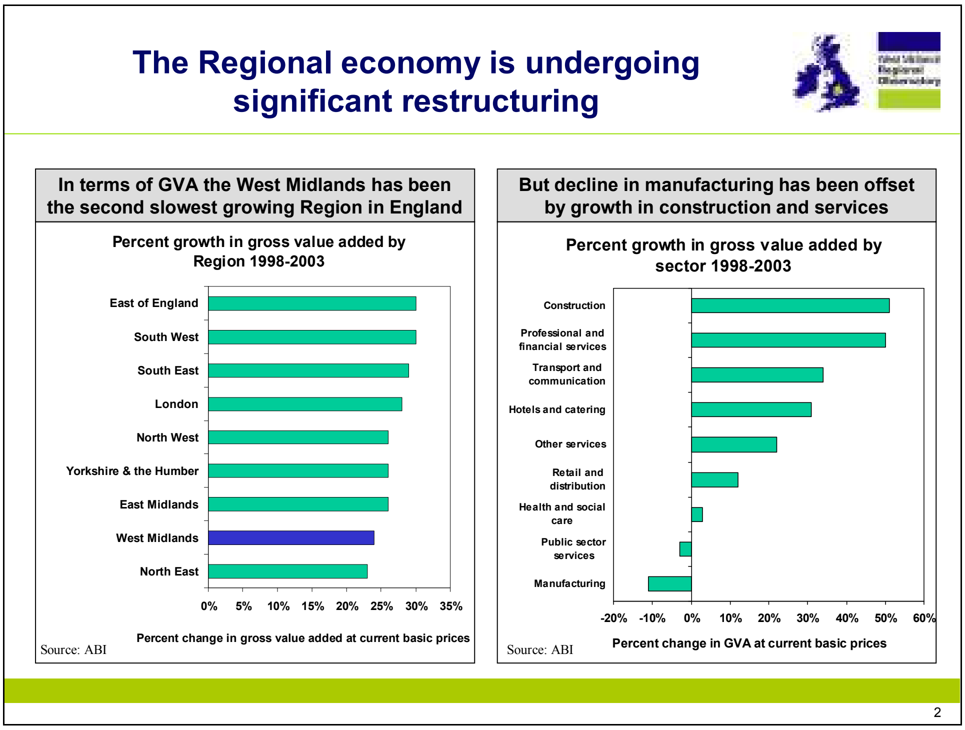
- Professional & financial services, manufacturing and retail & distribution are the Region's largest sectors, accounting for more than half of employment and nearly two thirds of gross value added. Other important sectors include:
- Public sector services, which account for 15% of Regional employment and 11% of Regional GVA
- The health and care sector, which accounts for 10% of Regional employment and 7% of Regional GVA
- Hotels and catering, which accounts for 6% of Regional employment and 3% of Regional GVA
- Transport and communications, which accounts for 6% of Regional employment and 7% of Regional GVA
- Other services (which include creative, media and sporting activities, business, employer and professional organisations) which accounts for 5% of Regional employment and 4% of Regional GVA
- Construction, which accounts for 4% of Regional employment and 6% of Regional GVA



As the following section on the Region's recent economic performance shows, many of these sectors and the specific industries within them have grown significantly in recent years.

2.2 The Region's recent economic performance

The West Midlands economy has grown more slowly than many other regions in recent years. Over the last decade the region's gross value added (GVA)[1] expanded by 64%, well below the English average of 70% and figures of more than 75% in London, the South East and the South West.



The Regional economy has been affected by factors such as globalisation, with improved communications, free-trade and open capital markets leading to increasing competition at a national and global scale. This is leading to pressures to improve productivity, invest in innovation and new technology and move into high value, knowledge based products and markets in manufacturing and traded services and has prompted a period of significant restructuring.

Between 1998 and 2002 manufacturing output declined by 11%, with many key industries affected by an increasingly price sensitive market and intense competition from producers in locations elsewhere in the world with a lower cost base. This has led to the closure of businesses and the transfer of production overseas in basic

[1] "Gross Value Added (GVA) is a measure of the economic activity within an economy and measures production and income. It provides a measure of economic growth and wealth creation.

metals, mechanical engineering, electrical engineering, rubber and plastics, clothing, leather goods, textiles and chemicals industries.

However, analysis at this broad sectoral level masks much better performance in some of the Region's key industries. For example, other manufacturing industries have expanded their output in recent years. Despite the closure of MG Rover, which has historically been a key market for the Regional supply chain, the motor vehicles and components industry has continued to increase its output based on a policy of diversification into new products and markets. The Region's jewellery, furniture and computer hardware industries have also expanded their output while other growing industries such as aerospace and food & drink, while currently less well represented in the Region, could potentially be key drivers of growth in the future[2].

There has also been significant output growth in construction, transport & communications and professional & financial services:

- Between 1998 and 2002 the Region's construction sector expanded its gross value added (GVA) by 51% and GVA per employee is the highest of all English regions outside London. The regional sector has, and is continuing to benefit from key projects such as railway track maintenance work, traffic management projects, a range of leisure, retail and commercial developments in Birmingham including the Bullring, Masshouse, and Five Ways, an extension to the National Exhibition Centre and new hospital projects in Birmingham and Coventry[3].

- The Region's road and rail passenger transport industries expanded GVA at a similar rate. Increases in the demand for services have been underpinned by investment in the Region's bus, tram and rail network, increasing congestion on the roads, greater targeted marketing and changing public attitudes. There has also been an expansion of nearly 30% in the GVA generated by air transport services. Growth is being driven by the rapid expansion of budget air services and investment in the expansion of facilities at Birmingham International and Coventry airports[4].

- The growth of the passenger transport sector is being given added impetus by government policy. The development of an integrated passenger transport system that encourages a shift away from use of the private car is a key element of transport policy and initiatives in the Region to promote 'modal shift' include increasing the road space reserved for public transport and introducing traffic priority measures.

[2] Manufacturing Skills Profile: West Midlands Regional Observatory 2005
[3] Construction Skills profile: West Midlands Regional Observatory 2005
[4] GoSkills Sector Skills Council Market Assessment, 2004

- There has been significant growth in ICT activity in Coventry, Solihull and Warwickshire, with the emergence of numerous smaller ICT and design businesses which complement the major players already based in the area. These developments have been stimulated by the entrepreneurial impetus of graduates, highly skilled workers 'shaken out' from major companies, the exploitation of the specialist expertise of local universities and the availability of premium quality premises. The exploitation of emerging technologies is leading to a diversification into related activities such as bio-informatics (linking ICT with genetics), telemedicine (intelligent health monitoring and treatment), nutraceuticals (biotechnology for crop improvement, disease control and sustainable horticulture), serious games (the adaptation of computer games for other environments such as disaster recovery and defence)[5].

- Growth in research and development activity has been principally focused on Worcestershire. Technology transfer and other spin offs from Quinetiq, Europe's largest science and technology organisation based in Malvern are providing the stimulus for the establishment and growth of new technology-led businesses in the area.

- Growing professional services activities include legal services, where companies are exploiting 'niche' markets relating to employment law, family law/divorce, legal support to the music industry and construction disputes and construction services, with government funded infrastructure projects and considerable commercial and public sector work in the Region supporting healthy demand for the services of architects, civil engineers and surveyors.

[5] Professional & Financial Services Skills Profile: West Midlands Regional Observatory 2005

Growth in Regional GVA by sector and sub-sector

Sector	Sub-sector	Percent growth 1998-2003
Best performing		
Construction		51%
Retail		29%
Hotels & catering		31%
Transport & communications	Road & rail transport	51%
	Air transport	28%
	Communications	30%
Professional & financial services	ICT	41%
	Research & development	219%
	Property services	70%
	Professional services	50%
Worst performing		
Manufacturing	Clothing	-50%
	Leather goods	-39%
	Textiles	-28%
	Mechanical engineering	-23%
	Chemicals	-22%
	Electrical engineering	-21%
	Basic metals	-19%
	Rubber and plastics	-17%

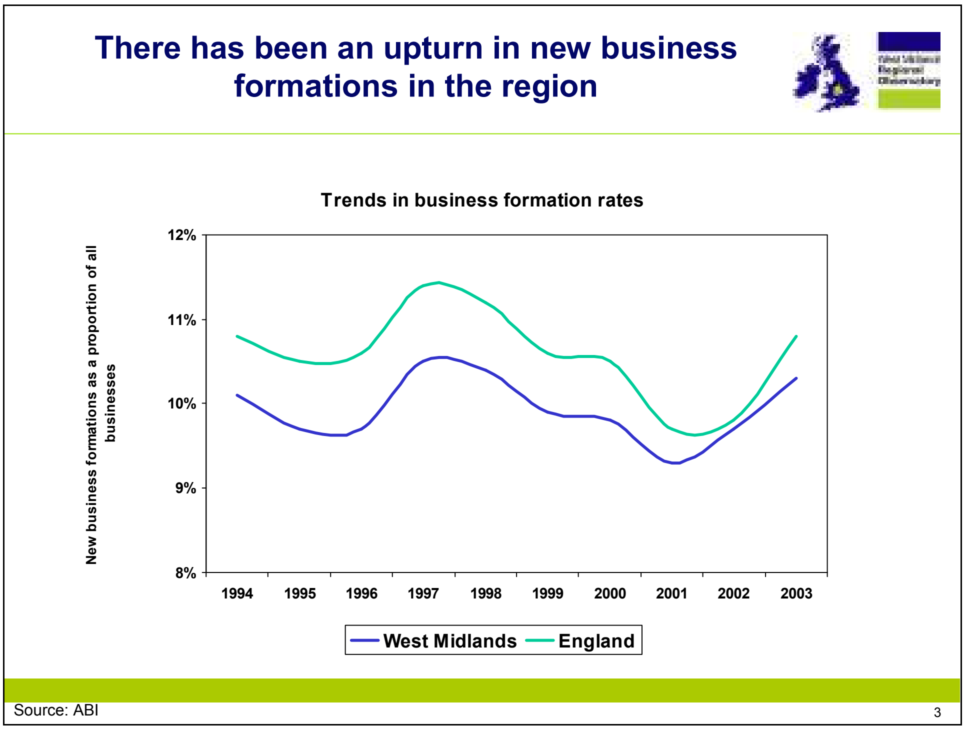
The retail and hotels & catering sectors have also expanded significantly in recent years in terms of GVA. They are also particularly important to the Region in terms of employment and have created nearly 70,000 net new jobs since 1982[6]. The Region has the second fastest growing retail and hotels & catering sectors in England, benefiting from a range of major investments in new floor space as part of wider regeneration programmes[7].

These sectors, which offer many lower skilled 'entry level' job opportunities, can play a significant part in regenerating deprived areas by providing employment for people who traditionally face difficulties entering the labour market. Further details are provided in the section on individuals and communities.

These trends are reflected in an upturn in levels of entrepreneurship and new business creation. There has been an increase in new business formations as a proportion of the

[6] ONS (2003) Annual Business Inquiry
[7] West Midlands Regional Observatory (2005) Retail &Distribution Skills Profile

overall stock of businesses in the Region in recent years and a closing of the gap with the national average.



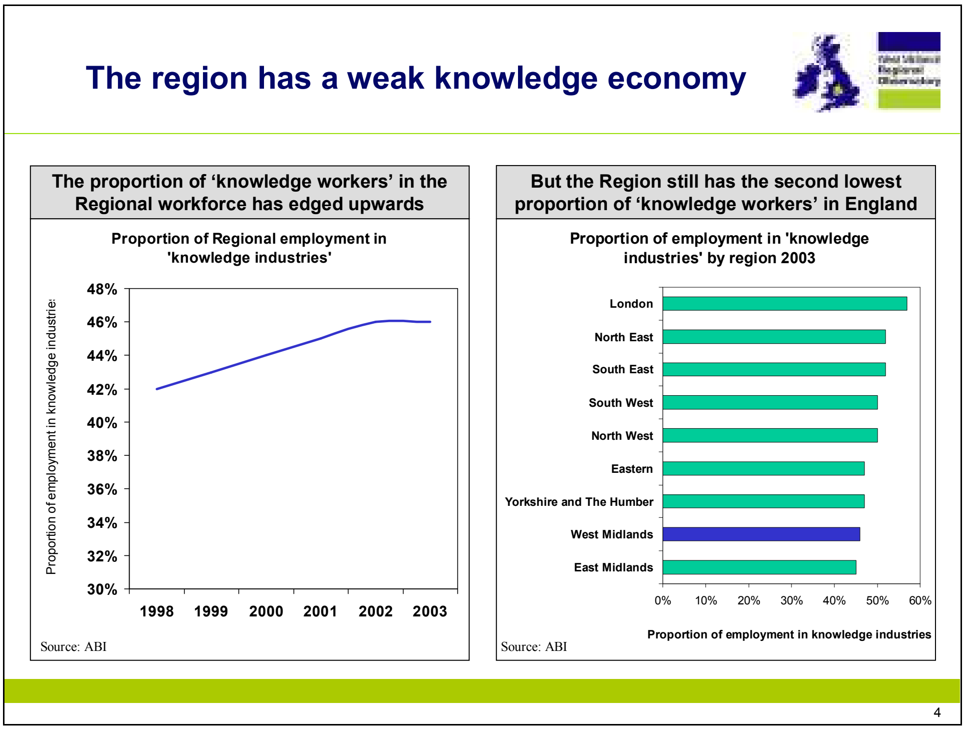
2.3 The knowledge economy

This increase in entrepreneurship and the diversification into new sectors and industries has contributed to the development of the Region's 'knowledge economy'. Since 1998 the proportion of employment in high knowledge intensity sectors, in which typically 40% or more staff are qualified to degree level or above[8], has increased from 20% to 24% and the proportion of employment in medium knowledge intensity sectors, where between 25% and 40% of staff are qualified to this level, has increased from 21% to 22%.

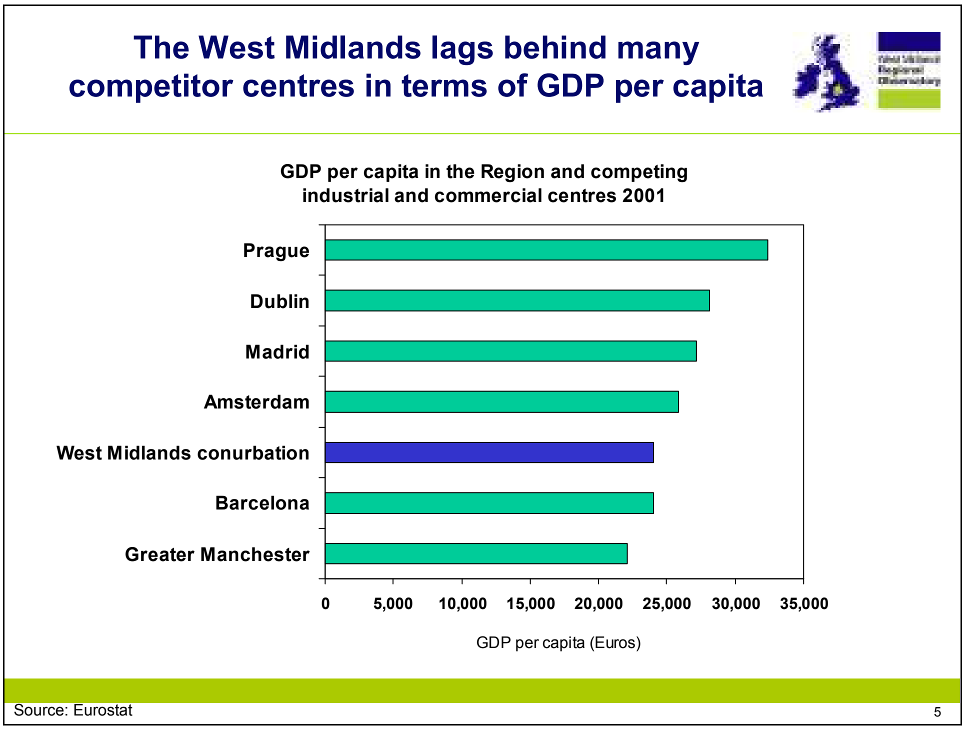
However, the West Midlands knowledge economy is still weak relative to most other regions. The West Midlands still has the second lowest proportion of employment in high or medium knowledge intensive industries of any region in England. In addition, the majority of the Region's knowledge workers are employed in public sector activities, such as health and education, and the private sector drivers of the knowledge economy are relatively weakly developed in the Region.

Only 4% of private sector employment in the Region is in high knowledge intensity sectors, compared with 18% nationally.

[8] The Knowledge Economy in the West Midlands DTI Project: 'Strengthening Regional Economic Development October 2004; Draft; the local futures group

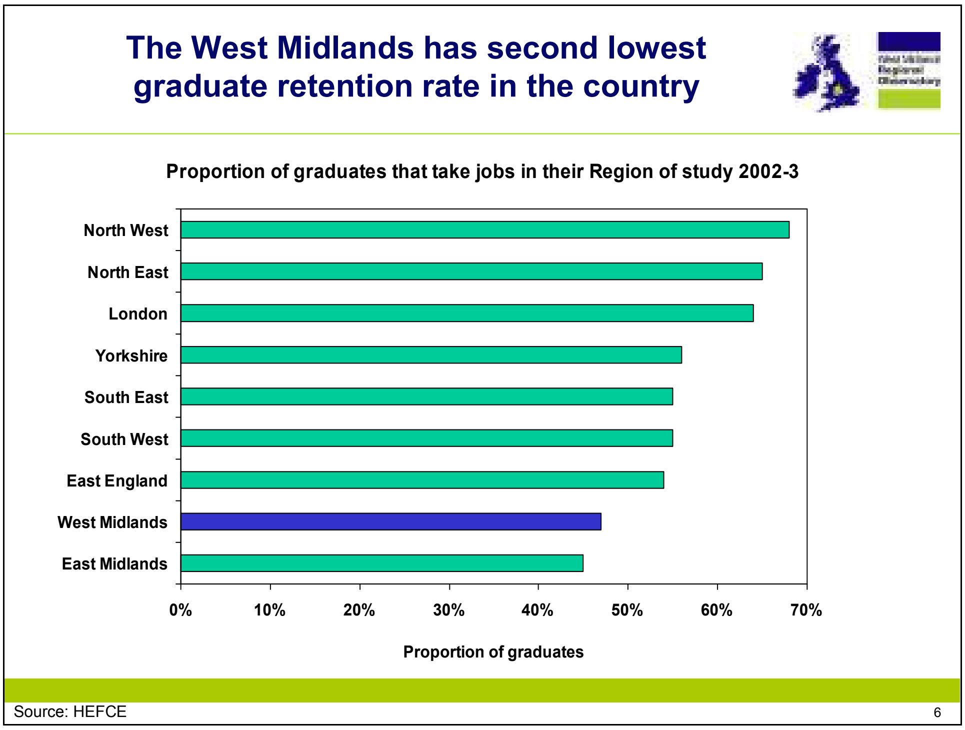


This weak knowledge economy is reflected in low levels of GDP per capita relative to locations elsewhere in Europe with which the Region is competing as an industrial and commercial centre. GDP per capita in the West Midlands Conurbation was just over 24,000 Euros in 2001. This was well below competing commercial centres such as Dublin, Madrid and Amsterdam but above the figures for Barcelona and Manchester, the key competitor within Europe.



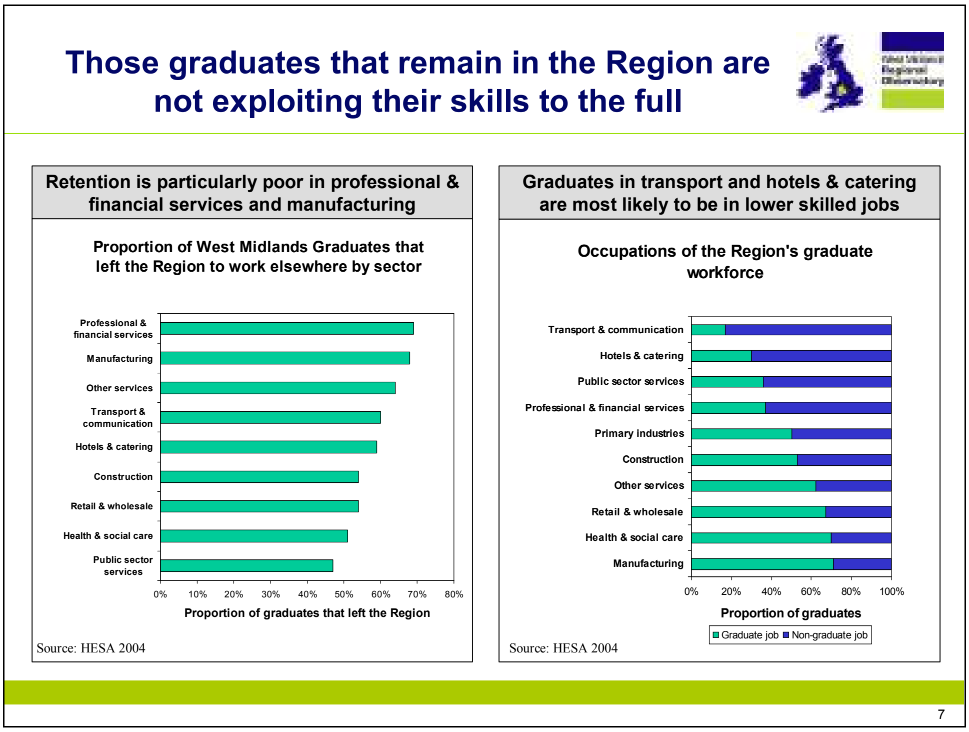
2.4 Graduate retention

The low levels of human capital within the Region, with a weak knowledge economy and low demand for higher level skills, are reflected in 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 Region has the second lowest retention rate in the country. The figure for those leaving the Region is nearly 70% for those opting to work in professional & financial services or manufacturing, while the figure is 60% or more for transport & communication and other services.



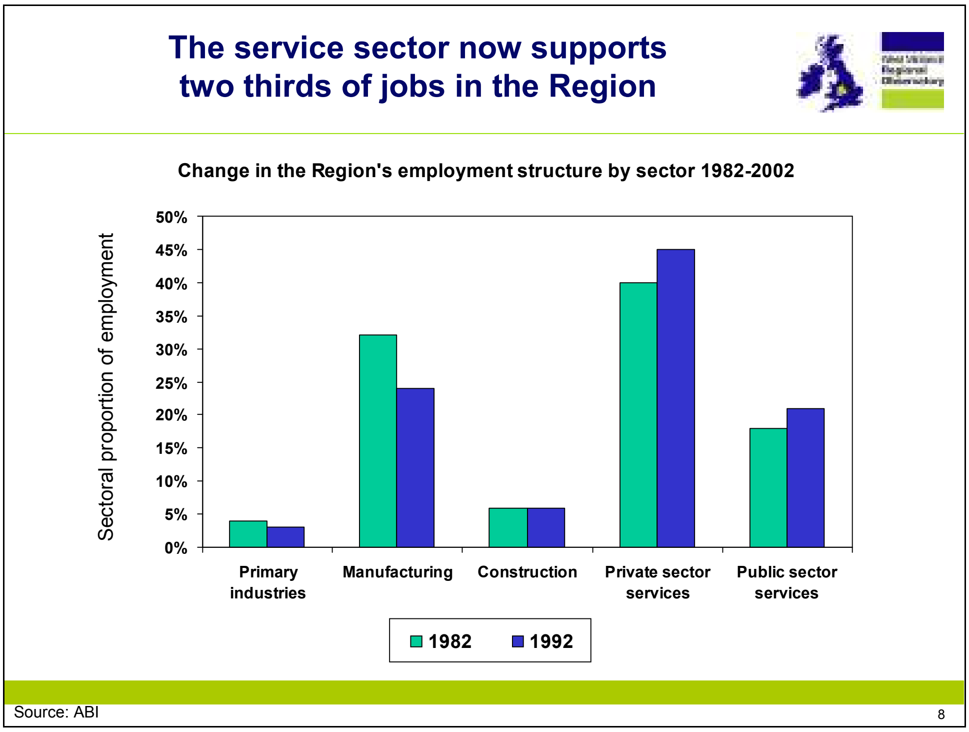
In addition, the skills and potential of many of the graduates that are retained in the Region are not fully utilised. Some 80% of those employed in the Region's transport and communications sector, 70% of those employed in the hotels & catering sector and more than 60% of those employed in professional & financial services and public sector services are employed in lower skilled 'non graduate'[9] jobs.

[9] Traditional, modern, new and niche graduate occupations Source: Elias and Purcell: A classification of occupations for studying the graduate labour market, 2004

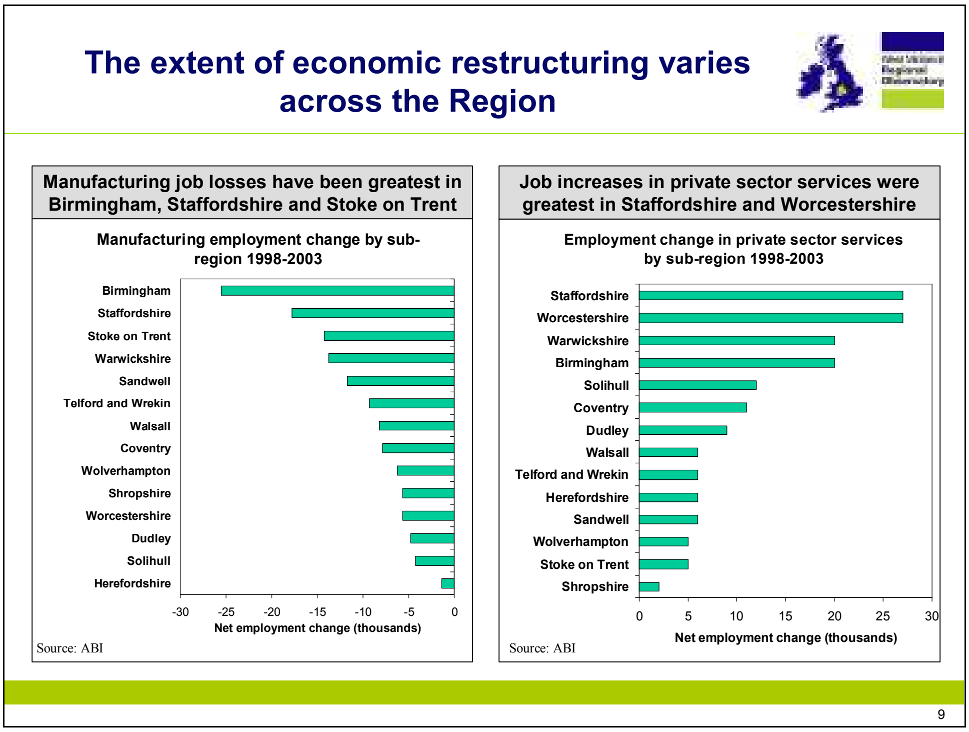


2.5 Trends in employment demand

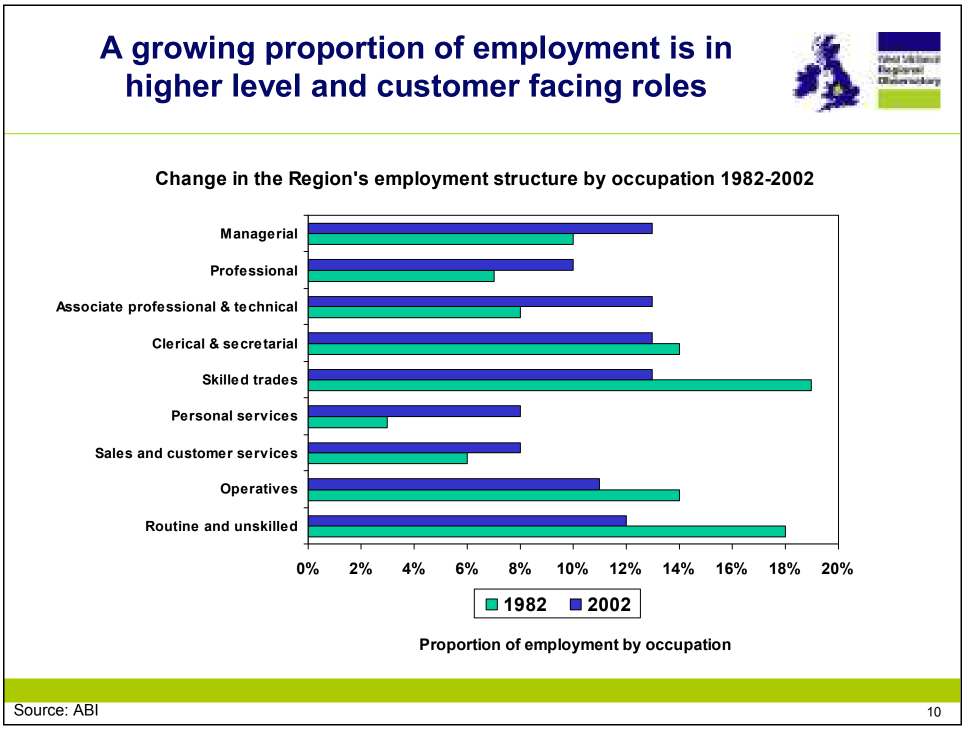
These developments are reflected in a long term, occasionally dramatic shift in the balance of employment between sectors. Manufacturing currently accounts for 24% of employment in the West Midlands which compares with 32% twenty years ago. The share of employment accounted for by public sector services, meanwhile, has risen from 18% to 21%. The share of employment accounted for by private sector services such as transport & communications and professional & financial services has risen from 40% to 45%.



The scale and pace of economic restructuring varies by sub-region. For example between 1998 and 2003 manufacturing employment fell by some 26,000 in Birmingham, 18,000 in Staffordshire and 14,000 in Stoke on Trent and there was a net increase in employment in private sector services of some 27,000 in both Staffordshire and Worcestershire.



These developments have been paralleled by a shift in the occupational structure of employment with an increasing emphasis on higher level managerial, professional and technical roles and customer facing sales and personal service roles. The proportion of skilled manual, operative and unskilled staff in the workforce, meanwhile, has reduced considerably.



2.6 Future prospects

The restructuring of the Region's economy is set to continue over the next decade with further significant shifts in the balance of employment demand:[10]

- Some 80,000 net new jobs are forecast to be created in professional and financial services by 2014, 35,000 net new jobs are forecast to be created in health & social care and 30,000 net new jobs are forecast to be created in retail & distribution

- There is forecast to be a net loss of nearly 60,000 jobs in manufacturing and more than 20,000 jobs in construction[11]

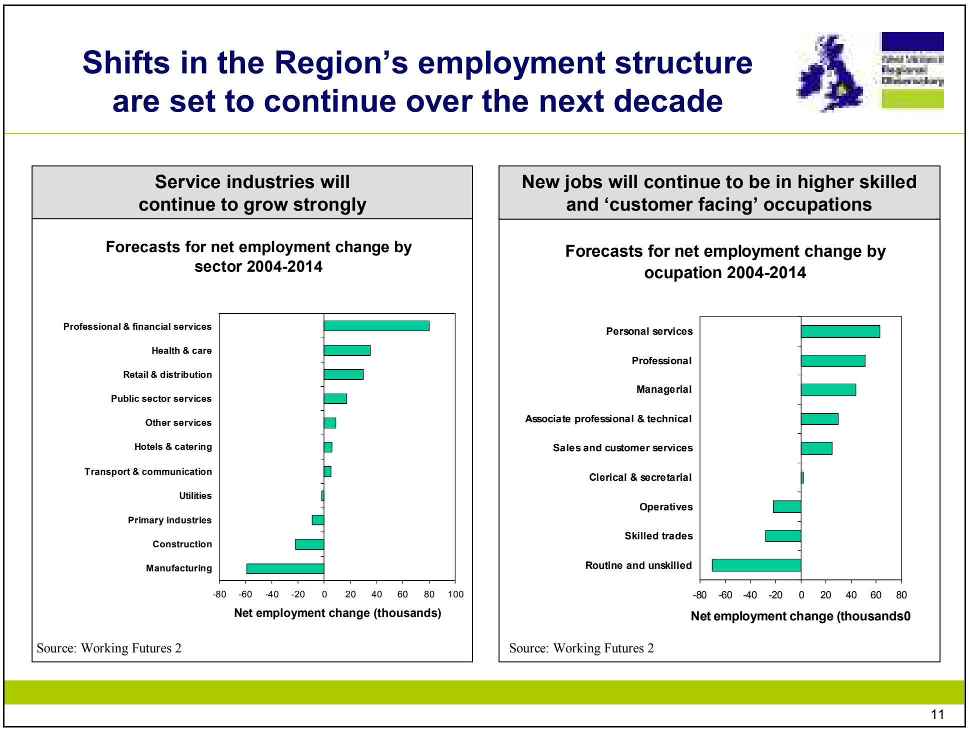
- More than 40,000 net new managerial jobs, more than 50,000 net new professional jobs and 30,000 net new associate professional and technical jobs are forecast

- More than 60,000 net new personal service jobs and net new 25,000 sales and customer service jobs are forecast to be created

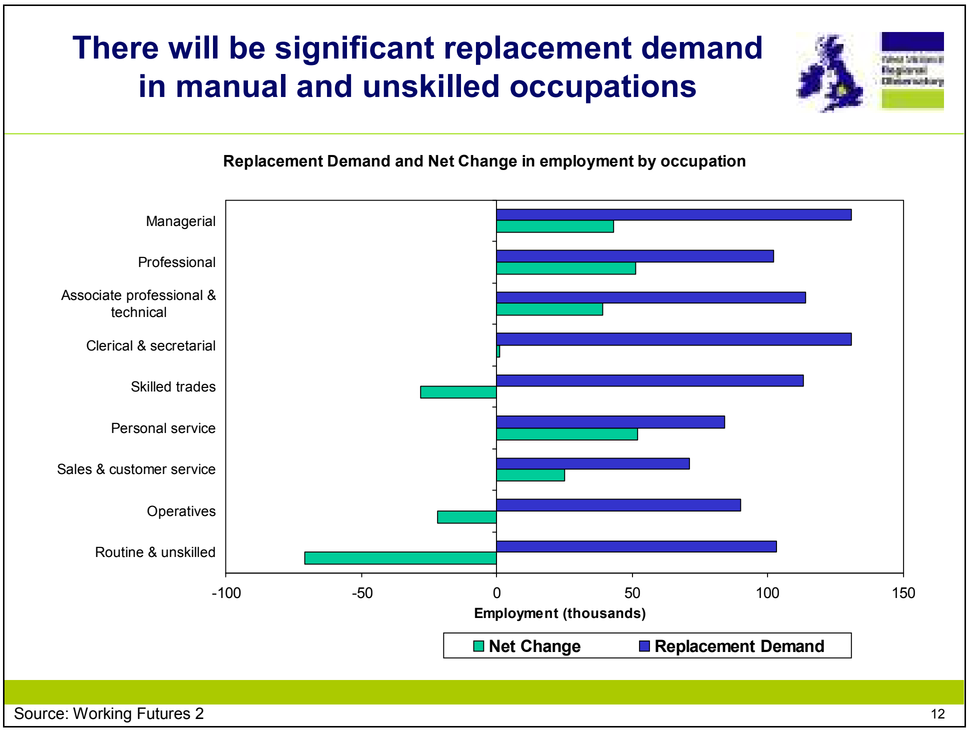
- There is forecast to be a net loss of 70,000 routine and unskilled jobs, more than 20,000 operative jobs and nearly 30,000 jobs in skilled manual trades

[10] Working Futures II set of projections undertaken by the Institute for Employment Research on behalf of the Sector Skills Development Agency and the Learning and Skills Council

[11] These forecasts may be over pessimistic for the construction sector. Research conducted by the CITB Construction Skills Sector Skills Council indicates that significant investment in new construction projects and replacement demand due to job moves and retirements is likely to lead to an increase in employment over the next few years.



There will still be a significant demand, however, for employment in sectors such as manufacturing and construction and in manual and unskilled occupations due to the need to replace staff leaving due to job moves or retirement. While just under 100,000 new jobs across all sectors are forecast to be created in the region by 2014 a further 900,000 opportunities are forecast to be created due to these factors. A third of these jobs will be in manual and unskilled occupations.



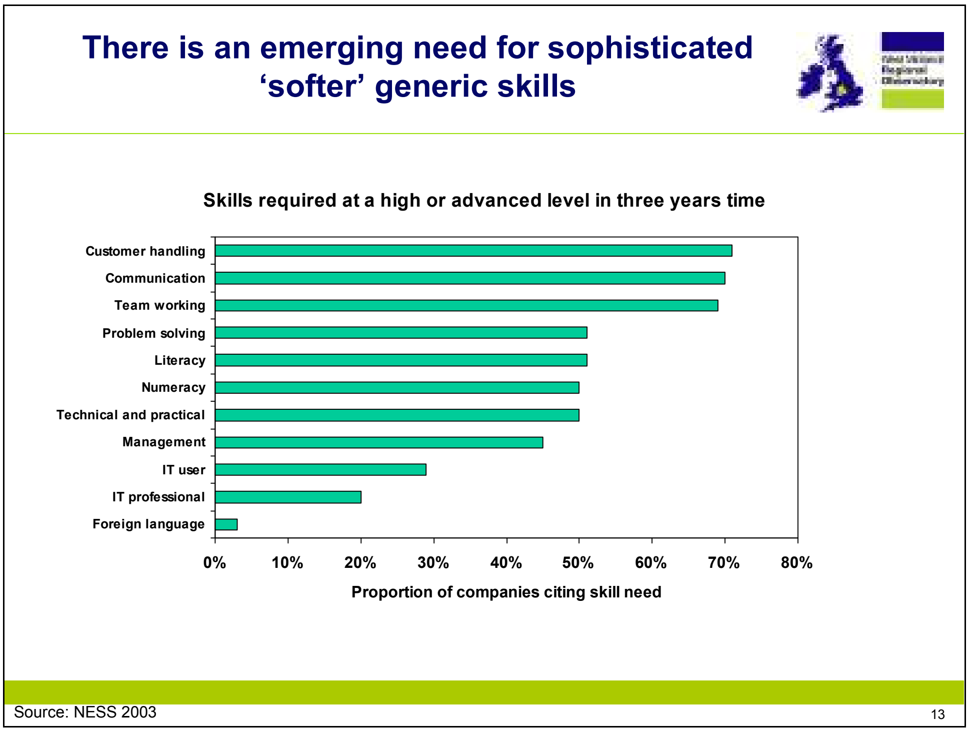
The Region's labour market is also likely to be affected by demand for labour and skills from areas outside the West Midlands but within convenient commuting distance. In particular, developments to the south of the region in Milton Keynes, Northampton, Kettering, Corby and Wellingborough, which include new employment sites and improvements to the transport infrastructure, are forecast to lead to the creation of up to 300,000 new jobs by 2031[12].

2.7 Emerging skill needs

The restructuring of the Regional economy and the diversification into high value, knowledge based industries requires 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 for the generic and transferable skills required to solve problems, interpret information and understand how systems work and fit together, work in a team, communicate effectively and provide excellent customer service.

In particular, employers are articulating a need for the development of highly sophisticated generic skills. While around half of companies in the Region cite a need for high and advanced level management, numeracy, literacy skills or problem solving skills in the future, 70% or more cite a need for high or advanced level customer handling, communication or team working skills.

[12] Milton Keynes and South Midlands Study;East Midlands Regional LGA and South East England Regional Assembly, 2005



Emerging skill needs vary by sector:

- A high proportion of organisations in the other services (which includes, for example, interactive media and a range of other creative industries), professional & financial services and retail & wholesale sectors identify an emerging need for high or advanced level customer handling skills

- A high proportion of organisations in the public sector services, professional & financial services and health & social care sectors identify an emerging need for high or advanced level communication skills

- A high proportion of organisations in the public sector services, hotels & catering and other services sectors identify an emerging need for high or advanced level team working skills

- A high proportion of organisations in the professional & financial services, health & social care and public sector services sectors identify an emerging need for high or advanced problem solving working skills

- There is a significant need for high or advanced level literacy and numeracy skills in professional & financial services and public sector services

- A high proportion of organisations in the professional & financial services, health & social care and public sector services sectors identify an emerging need for high or advanced management skills

- The emphasis is different in the manufacturing, primary industries and construction sectors where a high proportion of organisations identify an emerging need for high or advanced technical and practical skills

Sectors with a significant need for various high or advanced level skills

Skill area	Sectors with a significant need for skills at a high or advanced level
Customer handling skills	Other services, Professional & financial services, Retail & wholesale
Communication skills	Public sector services, Professional & financial services, Health & social care
Team working skills	Public sector services, Hotels & catering, Other services
Problem solving skills	Professional & financial services, Health & social care, Public sector services
Literacy and numeracy skills	Professional & financial services, Public sector services
Management skills	Professional & financial services, Public sector services, Health & social care
Technical and practical skills	Primary industries, Manufacturing, Construction

Source: NESS 2003

Sector and cluster-specific research and mapping activity highlights a range of emerging skill needs in some of the Region's fastest growing sectors and industries:

- Within the professional and financial services sector ICT companies have identified the need to develop skills in team working to design business relevant systems and services and solving problems and devising solutions based on a good knowledge of the sectors that customers are working in[13]. Construction professionals indicate a need to develop skills in managing people and performance, negotiating and influencing skills, critical analysis and reporting and presentation skills[14]. Legal services companies have identified a range of emerging skill needs for fee earning staff relating to advocacy, marketing and networking, expertise on new legislation and internal policies and procedures, people management and business development. Within the accountancy sub-sector companies are identifying an increasing need for people with commercial acumen, strategic thinkers who can 'see the bigger picture' and people with communication skills.

[13] Regional Skills Gap Analysis; e-skills UK; 2005
[14] Professional & Financial Services Research Programme; Key Trends and Issues; Birmingham Forward and Birmingham and Solihull LSC, September 2003

- Within the construction industry changes in working practices are being implemented to increase productivity and transform organisational culture. This is stimulating a need for new skills and expertise in areas such as lean construction and other new models of business development, managing and monitoring the success of continuous improvement techniques, supply chain management and partnership working, procurement to achieve best value and improved customer service to provide better project predictability in terms of preventing over-runs on timing and costs[15].

- In the passenger transport sector it is recognised that, if the potential for growth is be realised, increasing the quality of the service provided will be necessary in order to persuade individuals out of the car and onto public transport. Customer facing staff will require excellent customer care and communication skills and managers and supervisors need to develop an appropriate mix of industry specific knowledge and people management skills[16].

- In retail customer facing staff need to develop the following specific soft skills:

    - Interpersonal skills - the ability to provide a friendly greeting and engaging with the customer to understand their needs with appropriate body language and eye contact.

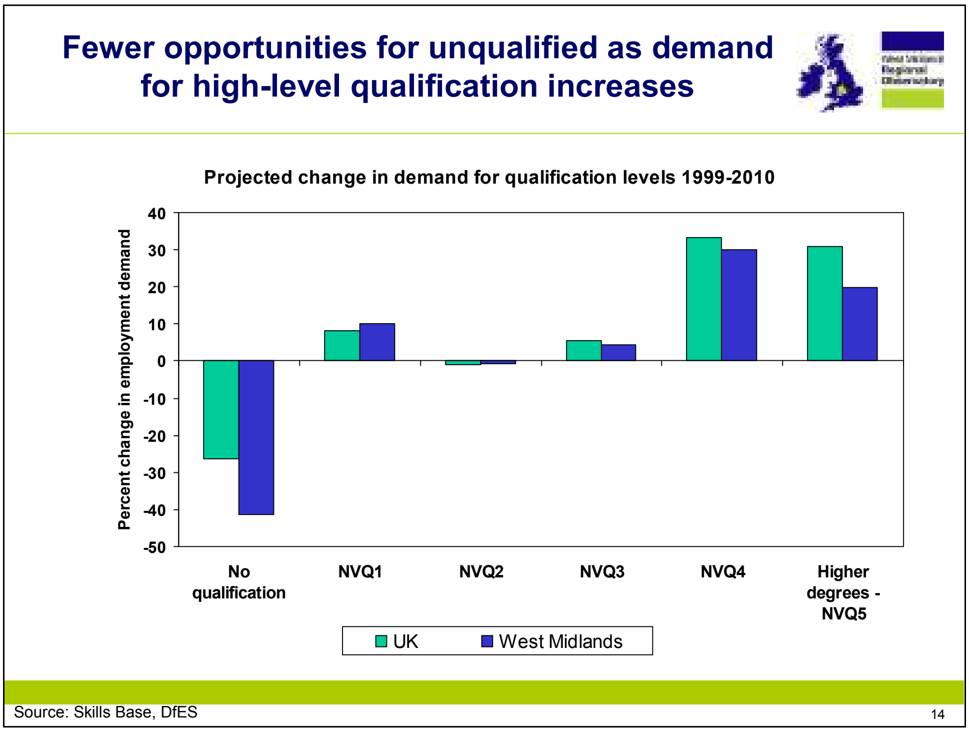
    - Interpretative Skills - reading customer signals of needs/wants, recognising regulars, understanding what level to 'pitch' information, the right level of eye contact and personal space to give a customer and matching their requirements with stock.

    - Sales Skills - the ability to sell as opposed to just serve, converting a browser to a buyer and matching customer requirements with stock to gain a sale.

---

15 CITB Construction Skills 2005
16 GoSkills Sector Skills Council Workforce Development Plan, 2004

These developments have implications for the demand for 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.



2.8 Workforce attainment levels

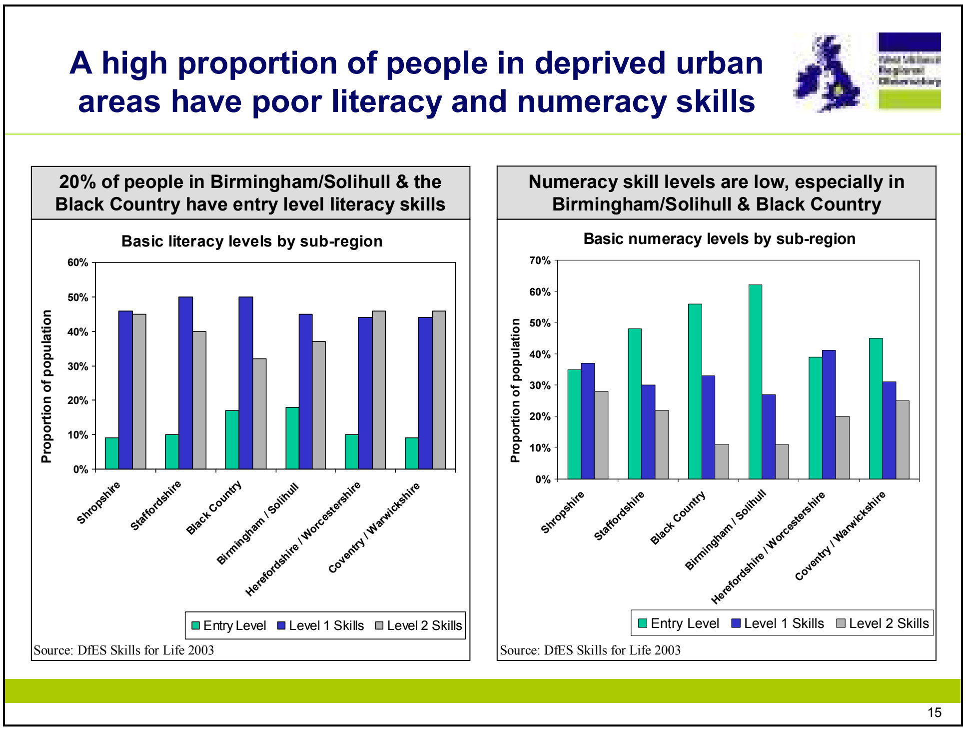
An appropriately skilled and adaptable workforce is essential if these skill needs are to be met and the West Midlands is to be transformed into a high value added, knowledge based economy that competes internationally through the quality of its workforce rather than the cost of labour. However, the Region is characterised by a low level of human capital as too many individuals and employers are not reaching their full potential.

2.9 Basic Skills

Basic Skills are the essential literacy and numeracy skills that a person needs to secure a job and progress their career and to function in society. The 2003 Skills for Life Survey undertaken by the Department for Education and Skills attempted to quantify the extent to which people in the UK have essential skills in literacy and numeracy, and identify areas of particular need. Three skills levels will be looked at: Entry level is comparable to below a low GCSE level. Level 1 is broadly comparable with a low level GCSE (D-G), while Level 2 is comparable with a high level GCSE (A*-C).

The results show that the West Midlands compares reasonably well with the rest of the country, but that there are sub-regional disparities and particular hot-spots of low level ability. For both literacy and numeracy the urban areas of the Region have a particularly high proportion of people with lower levels of ability, with a greater prevalence of entry, or low level skills, and a lack of higher, Level 2 skills:

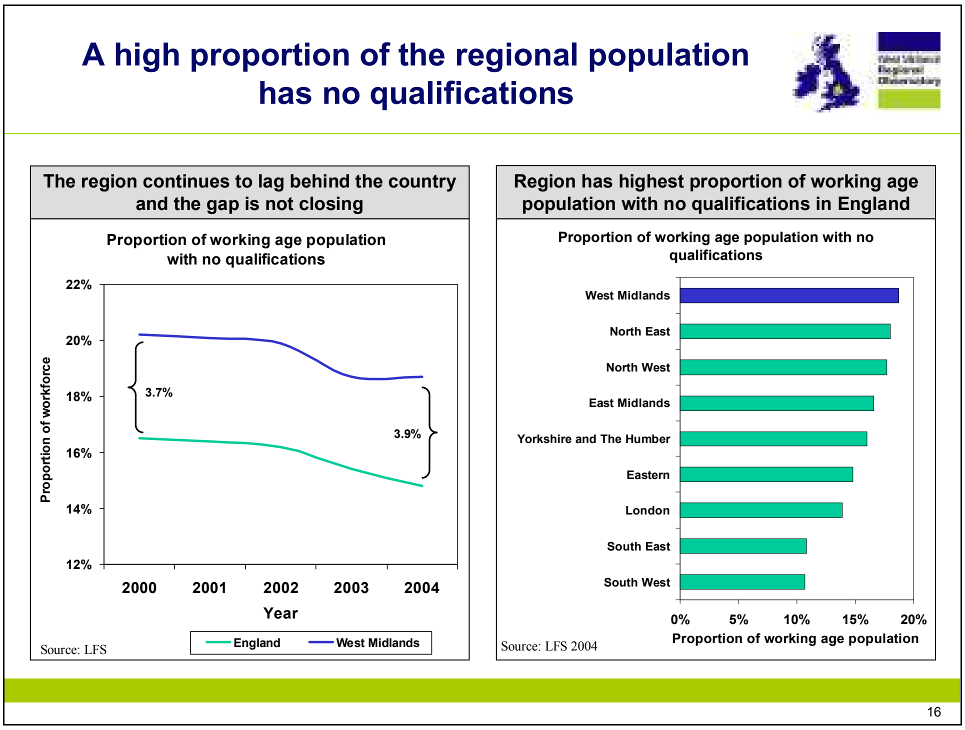
- Almost 20% of the populations in Birmingham and Solihull and in the Black Country only have entry level literacy skills, compared to less than 10% in the Shire counties.
- The differences are even starker for numeracy. In Birmingham and Solihull over 60% of the population only have entry level numeracy skills, along with 56% in the Black Country. Only 11% of the population in Birmingham and Solihull and the Black Country have level 2, or high GCSE level, numeracy.



A high proportion of people in deprived urban areas have poor literacy and numeracy skills
20% of people in Birmingham/Solihull & the Black Country have entry level literacy skills
Basic literacy levels by sub-region
Proportion of population
Shropshire
Staffordshire
Black Country
Birmingham / Solihull
Herefordshire / Worcestershire
Coventry / Warwickshire
Entry Level
Level 1 Skills
Level 2 Skills
Source: DfES Skills for Life 2003
Numeracy skill levels are low, especially in Birmingham/Solihull & Black Country
Basic numeracy levels by sub-region
Proportion of population
Entry Level
Level 1 Skills
Level 2 Skills
Source: DfES Skills for Life 2003
15

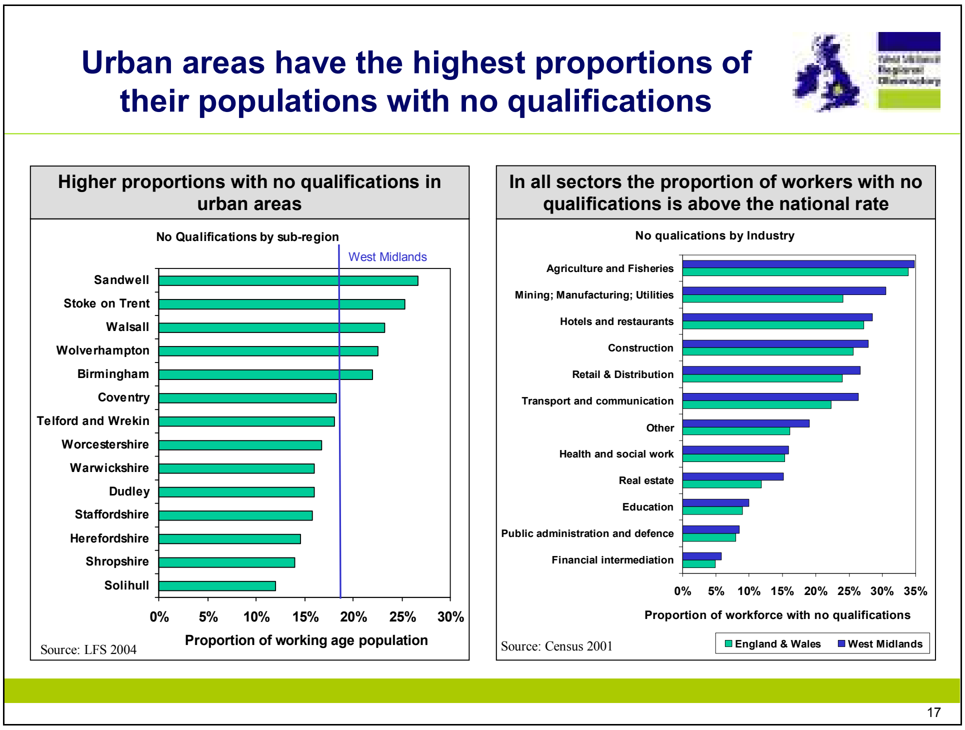
2.10 People with no or low qualifications

Despite steady decreases in the proportion of the Region's population with no or low qualifications, the proportion of people with no formal qualifications remains well above the national average and the gap is widening. The West Midlands has the highest proportion of its workforce without any formal qualifications of any English region. Some 19% of the workforce has no formal qualifications, compared with under 11% in the South West.



Urban areas have the highest proportion of the population with no qualifications. The areas of Stoke on Trent, Wolverhampton, Sandwell and Walsall have almost a quarter of their populations with no formal qualifications, over 10% more than in areas such as Solihull and Shropshire.

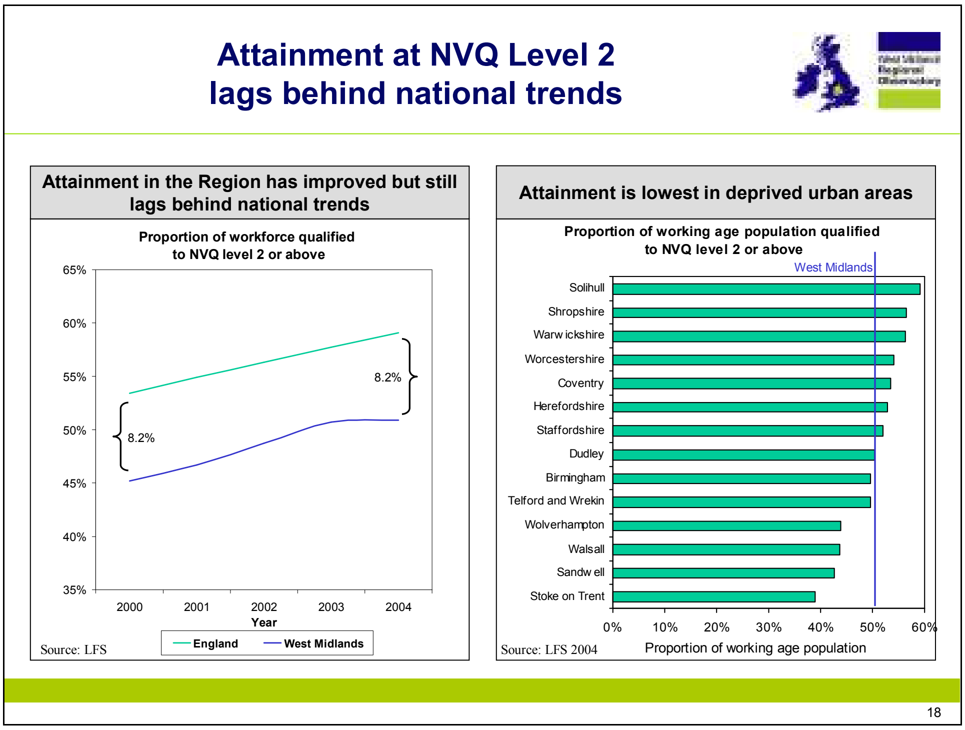
Within the employed workforce there are significant numbers of people with no qualifications. Across all industrial sectors, a greater proportion of the West Midlands workforce has no formal qualifications than the country as a whole. In half of the region's industries around a quarter of the workforce have no qualifications.



2.11 Intermediate level Skills

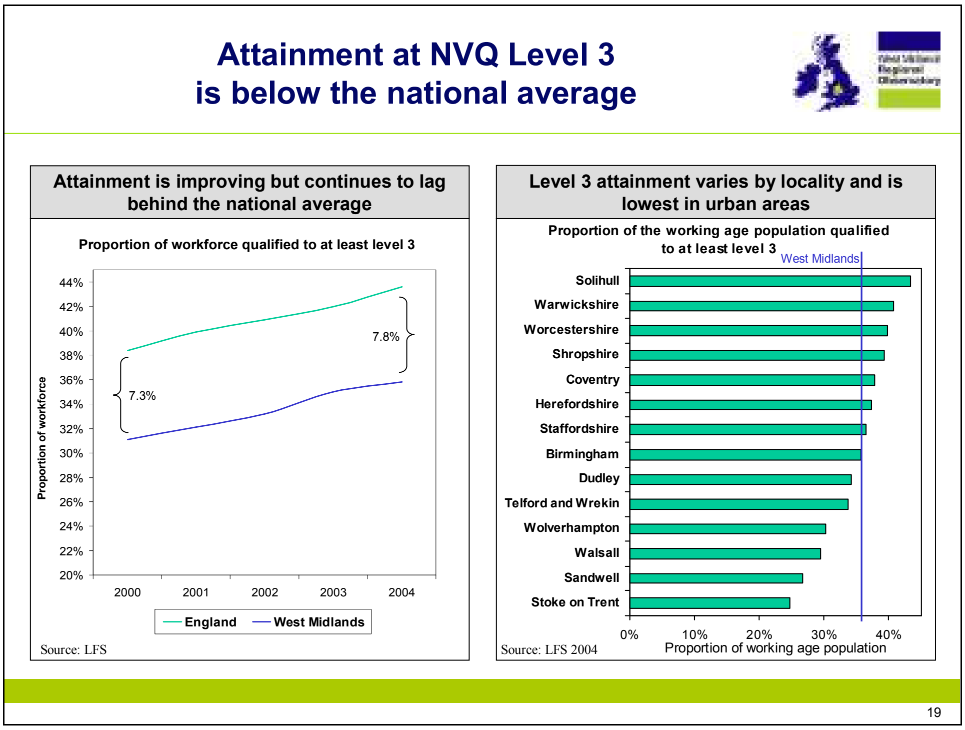
2.11.1 NVQ Level 2 Attainment

There has been a steady increase in the proportion of the Region's population qualified to NVQ level 2 and above in recent years. However, the Region continues to lag significantly behind national trends and attainment is particularly poor in deprived urban areas.



2.11.2 *NVQ Level 3 Attainment*

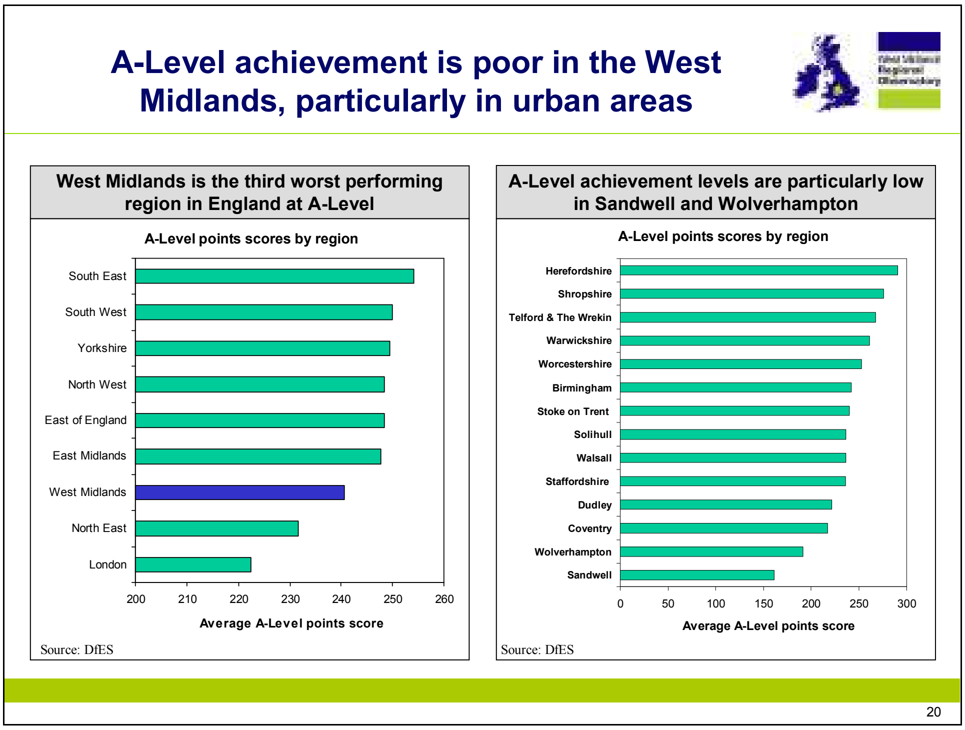
Level 3 attainment roughly equates to A-level standard across a range of vocational and academic fields. Again the West Midlands reflects national trends for improving attainment levels but the gap in attainment compared to the rest of the country remains, and the region continues to lag behind. Attainment is once again poorer in deprived urban areas.



2.11.3 A-level achievement

The West Midlands performs poorly in terms of A-level points scores. It is the third lowest achieving region in England, with only London and the North East performing worse. There are significant sub-regional variations:

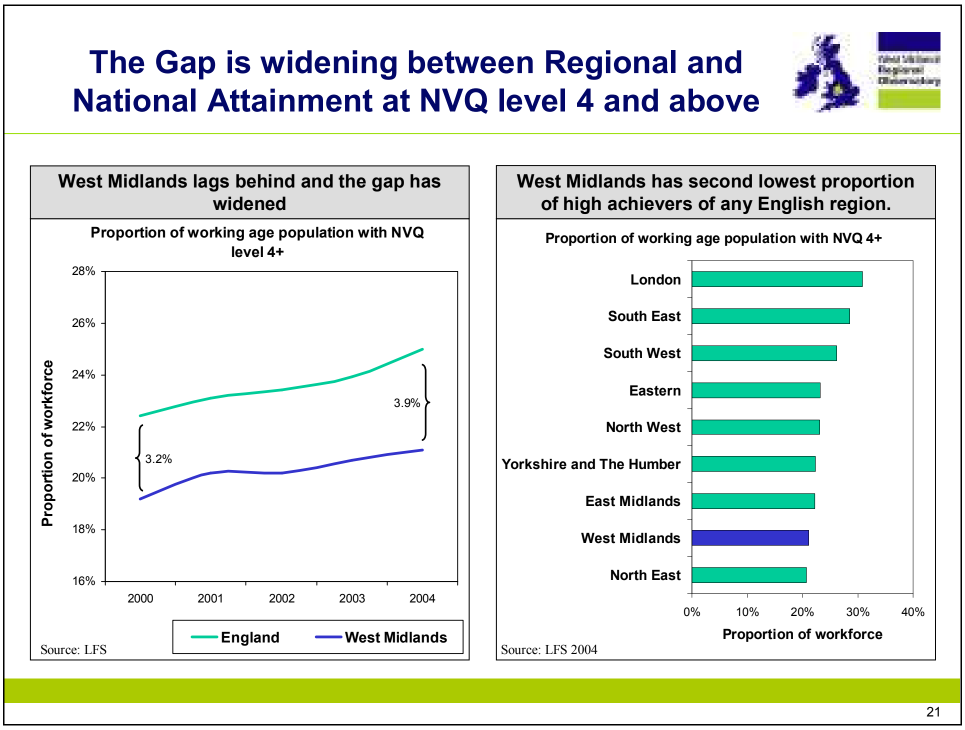
- Achievement levels are particularly low in Sandwell and Wolverhampton.
- In Herefordshire and Shropshire the average points scores are much higher, and well over 50% more than those in Wolverhampton and Sandwell.



2.12 Higher level skills

2.12.1 NVQ Level 4 and above

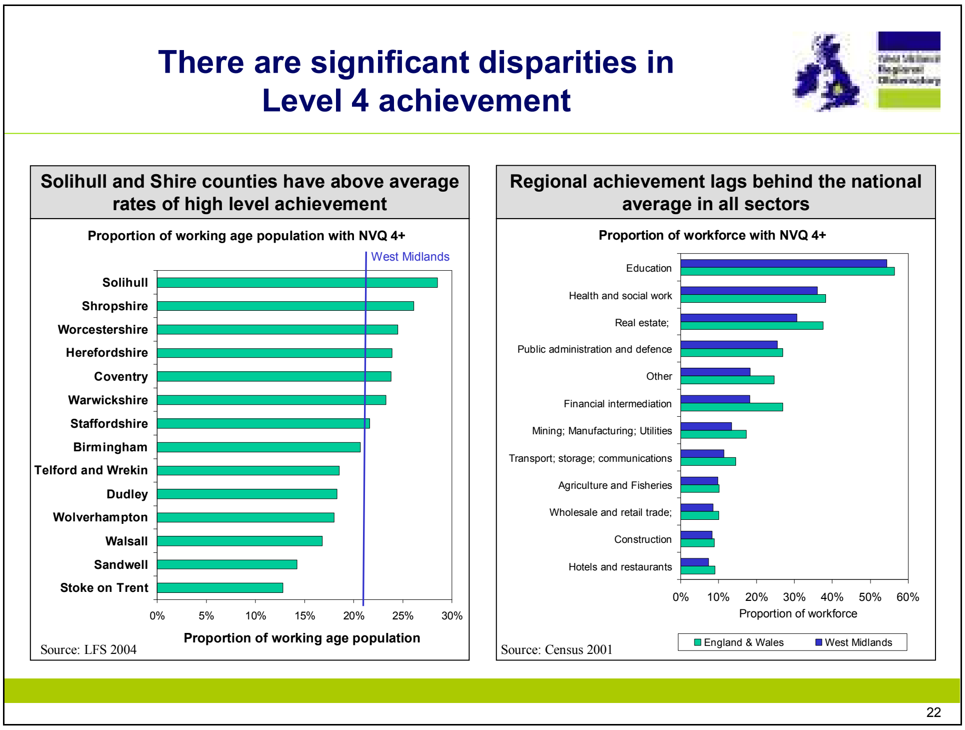
While the proportion of people qualified to NVQ Level 4 and above is increasing, this remains well below the national average and the gap is widening. The West Midlands has the second lowest proportion of high achievers of all English regions, with only the North East performing marginally worse.



Sub-regional disparities emerge at this high level of attainment as starkly as they do for the lower levels and unqualified. Stoke-on-Trent and Sandwell have rates of NVQ4+ attainment of just 13% and 14 % respectively, which are only just over half the national rate of 25%.

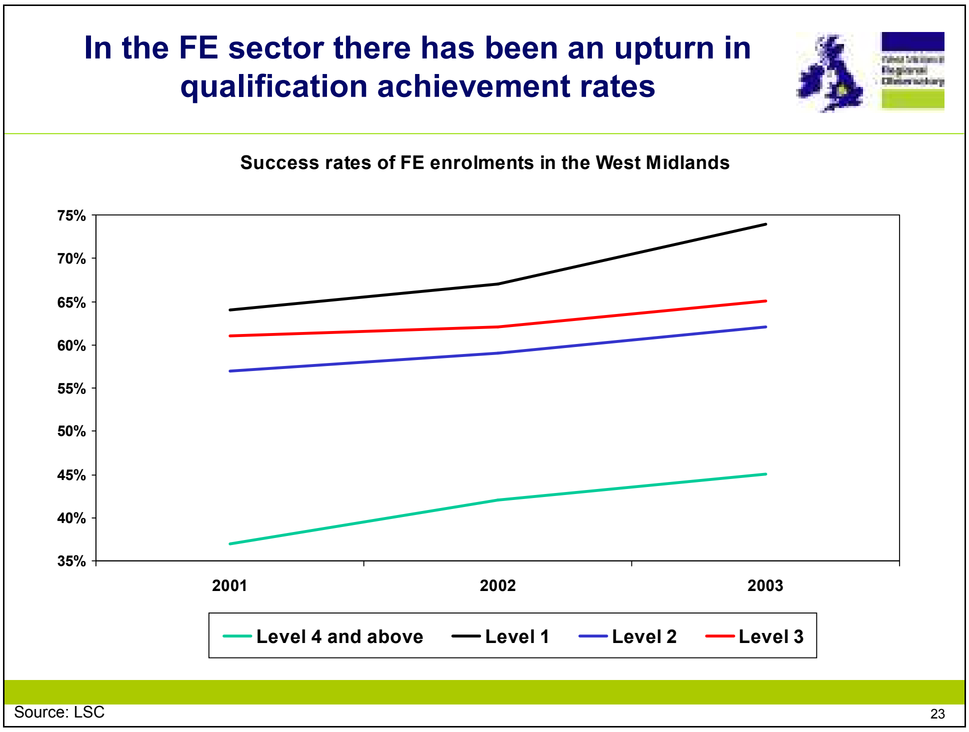
In Solihull and Shropshire, however, high achievers account for over 25%, narrowly exceeding the National rate.

Across all industrial sectors the proportion of staff qualified to NVQ level 4 or above is below the national average.



2.13 Trends in qualification achievement in Further Education

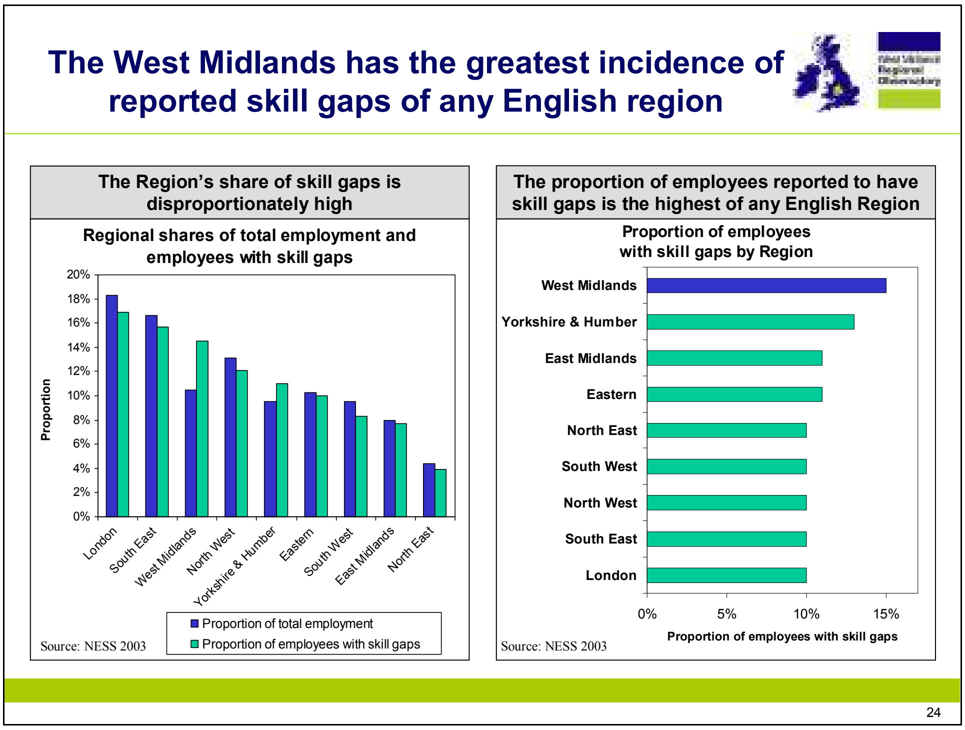
While the West Midlands workforce as a whole is poorly qualified relative to other regions, there are encouraging signs of an upturn in the proportion of people participating in further education that are achieving qualifications. This is the case at NVQ Levels 1, 2, 3 and 4 and above.



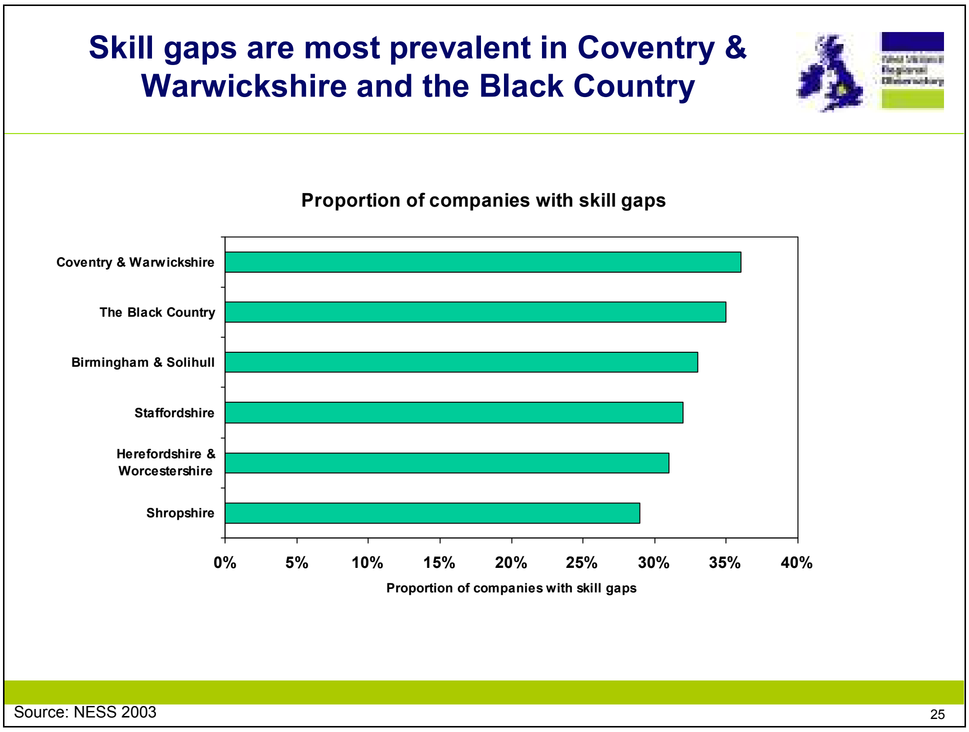
2.14 Skill gaps and deficiencies

As a result of these poor levels of qualification attainment a particularly high proportion of employers in the Region reported skill gaps[17] among their employees:

- The incidence of skill gaps is disproportionately high – while the Region accounts for 10% of employment in England it accounts for 14% of those employees in England reported to have skill gaps
- Some 15% of employees in the West Midlands are reported to have skill gaps, which is the highest proportion of any English region

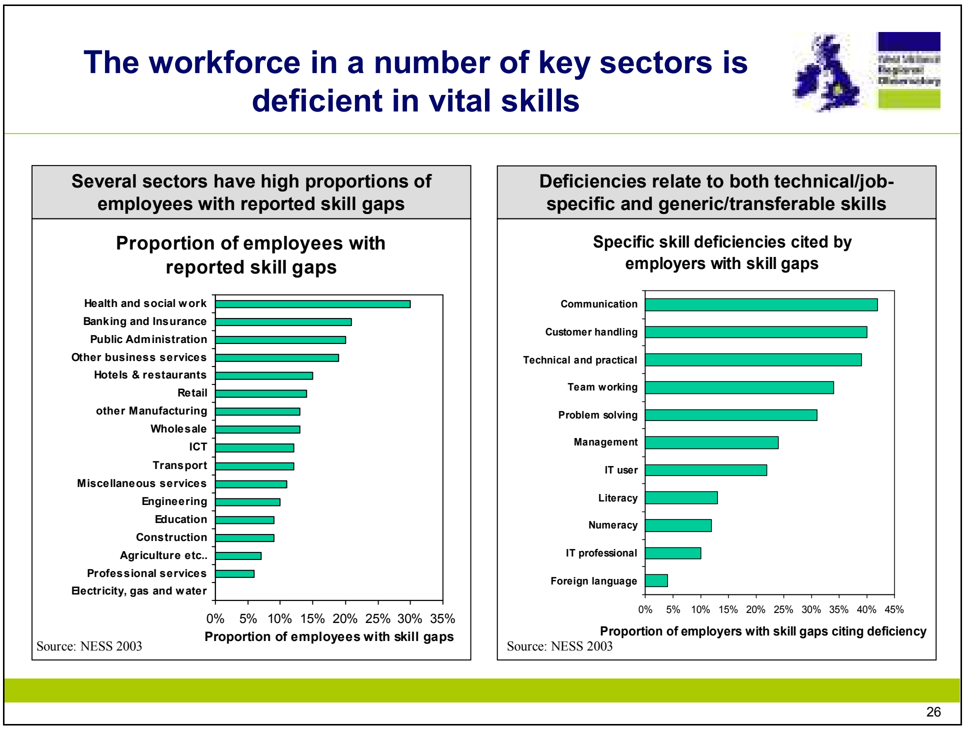


[17] defined as a gap between workforce skills and those employers require to develop the business



More than 30% of employees in health & social care have deficiencies in skills. Over 20% of employees in Banking and Insurance and Public Administration also have skill gaps.

The Region's workforce is deficient not only in the softer generic skills that are, as discussed in the previous section on emerging skill needs, of increasing importance, but also in a range of more technical, job specific skills.



2.14.1 Sector and industry-specific workforce skill deficiencies

Sector and cluster-specific research and mapping activity highlights a range of critical skill gaps in some of the Region's fastest growing sectors and industries.

Within the food & drink, furniture and jewellery industries a range of skill gaps have been identified which impact on business growth and profitability, notably:

- Craft and technical skills
- Customer care
- Management skills (which incorporates business awareness and planning, design and market orientation, exporting, leadership, management of change and people management, sales and marketing)
- Modern manufacturing and production techniques
- IT skills
- Problem solving
- Team working
- Basic skills (i.e. the ability to communicate, read and work with numbers)

Construction companies cite a need to address deficiencies relating to:

- The use of new technology and working practices (for example IT systems, continuous improvement techniques, 'best value' procurement and supply chain management)
- New construction methods (for example prefabricated housing and 'intelligent' buildings)
- New materials (for example synthetic glued brickwork and timber and hemp in housing construction)

In the passenger transport industry companies highlight skills deficiencies relating to:

- The ability to understand customer needs and meet rising expectations
- Management skills to respond to increasing customer demands and greater complexity of operation

- Levels of competence among drivers, which will need to improve if the sector is to comply with the European Directive on PCV driver training and new regulations and licensing arrangements in taxi and private hire and in the emerging tram industry

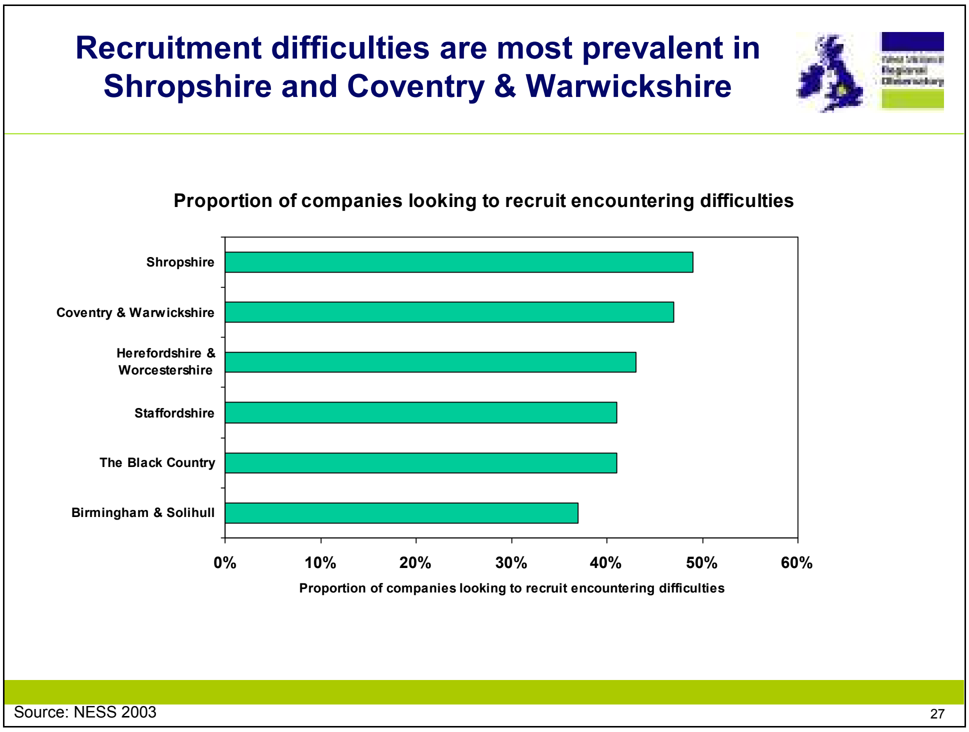
Professional & financial services companies highlight a range of technical, job specific deficiencies within their workforces:

- System integration, web design, security and IT architecture in ICT
- Insolvency and risk assessment skills in accountancy
- Industry specific knowledge and qualifications in insurance
- Specialist software such as Adobe Photoshop and Quark Express and the ability to manipulate digital photography in marketing and PR[18]

[18]Professional & Financial Services Research Programme; Key Trends and Issues; Birmingham Forward and Birmingham and Solihull LSC, September 2003

2.15 Recruitment problems and skill shortages

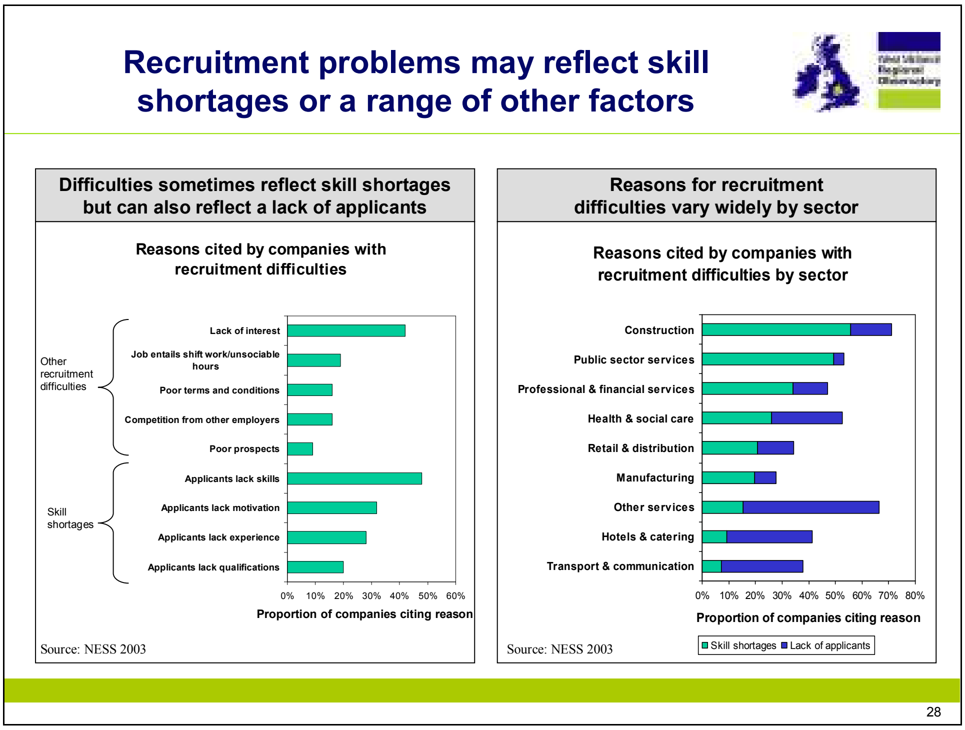
Many companies are struggling to address these skills problems via the recruitment of skilled and experienced people from the labour market. This is particularly the case in the health & social care, construction and hotels & catering sectors and for personal service, sales/customer services, skilled trade and routine/unskilled staff. While this is an issue throughout the Region, a particularly significant proportion of companies with vacancies face recruitment problems in Shropshire and Coventry & Warwickshire.



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. In many cases employers face a lack of applicants due to a lack of interest or issues such as a requirement for shift working and/or unsociable hours, poor terms and conditions or limited opportunities for progression.

While employers in construction, public sector and professional & financial services are more likely to cite skill shortages as the cause of recruitment difficulties, those in hotels & catering and transport are more likely to highlight other issues that are deterring people from applying for jobs. As the case study evidence in section 3.3.5

shows, these issues represent significant barriers to access to employment for many disadvantaged groups and communities.



2.15.1 Sector and industry-specific skill shortages

Sector and cluster-specific research and mapping activity highlights a range of critical skill shortages within the labour market that threaten to inhibit the development of some of the Region's fastest growing sectors and industries:

- Construction companies highlight particular difficulties in recruiting suitably skilled and qualified bricklayers, carpenters and plumbers. Shortages of engineers and technicians have prompted companies to look to recruit from overseas, notably from China and India.
- Within the passenger transport industry there are growing shortages of skilled and experienced transport planners, bus and coach drivers, vehicle maintenance technicians, managers and supervisors.
- Professional & financial services companies have encountered particular difficulties in recruiting to certain specialist positions such as paralegals, legal secretaries and property lawyers, civil engineers, building, quantity and investment surveyors and insurance claims handlers and underwriters.

2.15.2 Other causes of recruitment difficulties: issues in Region's manufacturing sector

A range of studies have highlighted the 'image problem' of manufacturing as a potential career choice. There are negative perceptions relating to:

- Progression: smaller companies are believed to lack career and salary paths[19].
- Insecurity: The drive to improve productivity and workforce flexibility has led to a proliferation of temporary contracts and use of agency workers. The sector is seen as providing jobs without prospects, with a high risk of job losses and redundancies[20].
- Inflexibility: the common use of shift working systems, also mean employment is not particularly family friendly and, unlike many other sectors, it is rarely possible for staff to fit hours of work around family and other caring commitments.
- A lack of understanding: young people have a poor understanding of the breadth of jobs available, equating manufacturing with production-related, assembly line jobs and viewing manufacturing as hard work, sometimes dirty and dangerous, and typically boring[21].

2.16 Investment in training and workforce development

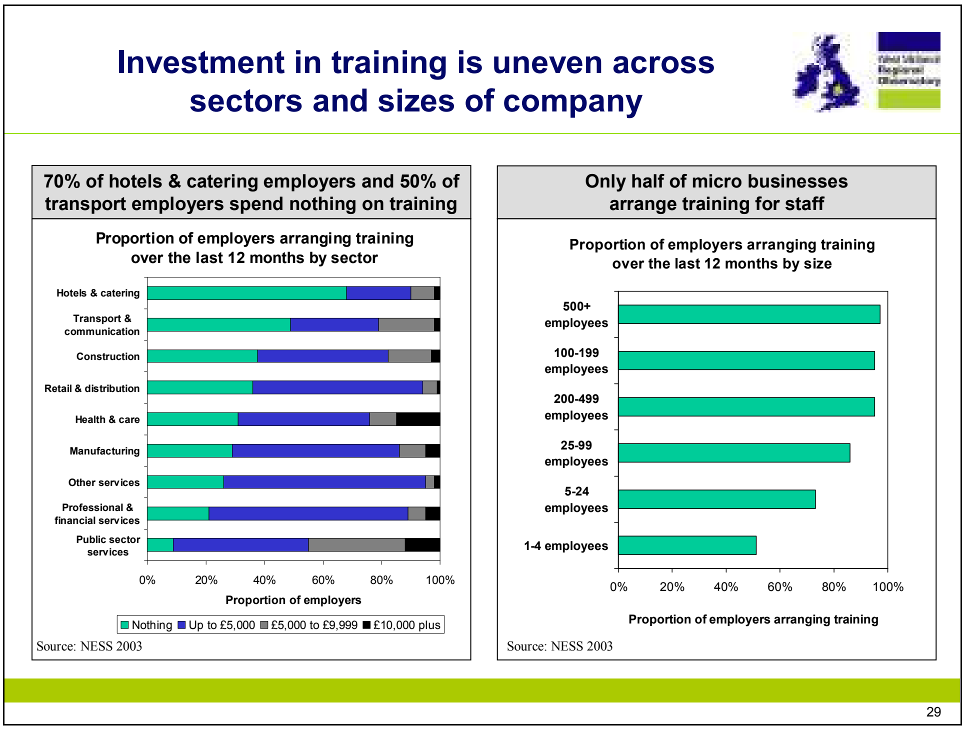
The changes that are taking place within the Regional economy are leading to the emergence of new competitive challenges and a demand for new and improved skills within the workforce. Given that the Region's workforce is often deficient in these skills and employers are encountering a range of problems when looking to recruit from the Region's labour market, up-skilling of the existing workforce is vital.

While three quarters of the Region's employers are investing in training and workforce development, which is slightly above the average for England as a whole, the extent of investment varies by sector and by size of company:

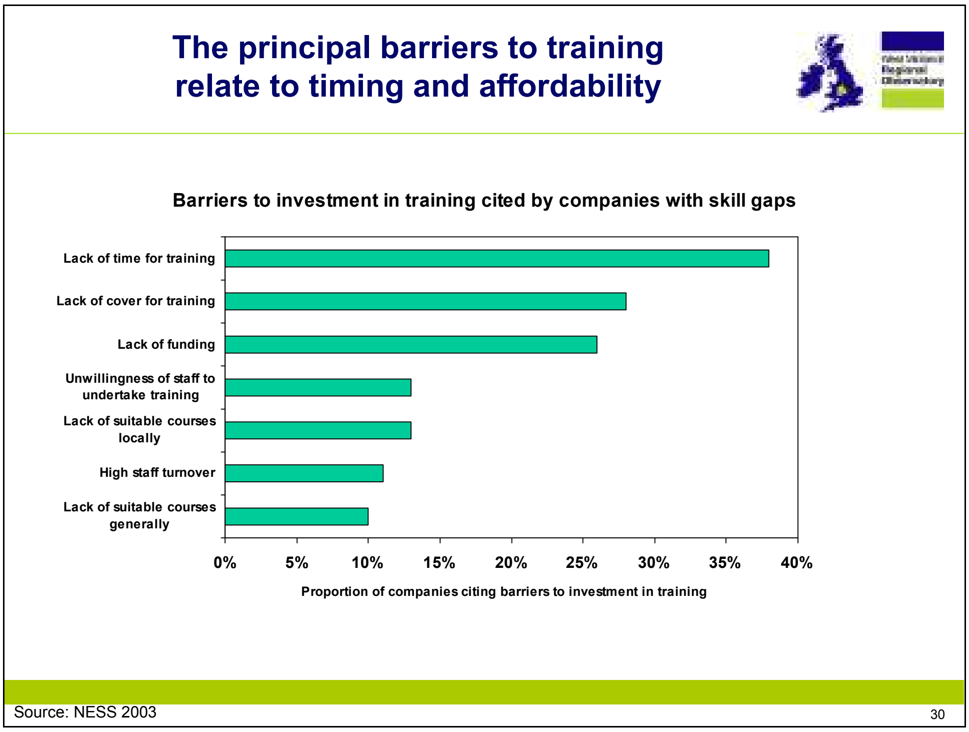
- Investment is higher in the public than the private sector.
- 15% of employers in health & care and 12% of employers in public sector services spend more than £10,000 per annum on training.

[19] Turning the Tables: Furniture West Midlands 2005.
[20] Automotive Skills Task Force Focus Group Research, 2002
[21] Manufacturing Foundation, 2003

- Nearly 70% of employers in hotels and catering, nearly 50% of employers in transport & communications and nearly 40% of employers in construction spend nothing on training.
- Only half of micro businesses employing five people or less arrange training for staff.



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 and affordability of training. While 13% of companies cite limitations in the availability of courses locally, nearly 40% highlight problems associated with finding the time to release staff for training, nearly 30% highlight problems in providing cover for those away from the workplace undergoing training and a quarter cite problems with the cost of training.



For self employed people and sole traders these issues constitute particularly significant barriers to participating in training. For many the prospects of undergoing training and up-skilling are negligible due to[22]:

- The prospect of lost earnings and not being on hand to run the business and chase revenue.
- The prohibitive cost of many courses and the cumbersome and time consuming nature of many funding application processes.

As a result the training that is accessed needs to be modular or 'bite size', workplace based where possible, highly relevant to the industry and in tune with the latest developments.

A range of issues are acting to limit investment in training and workforce development by companies in the retail sector:

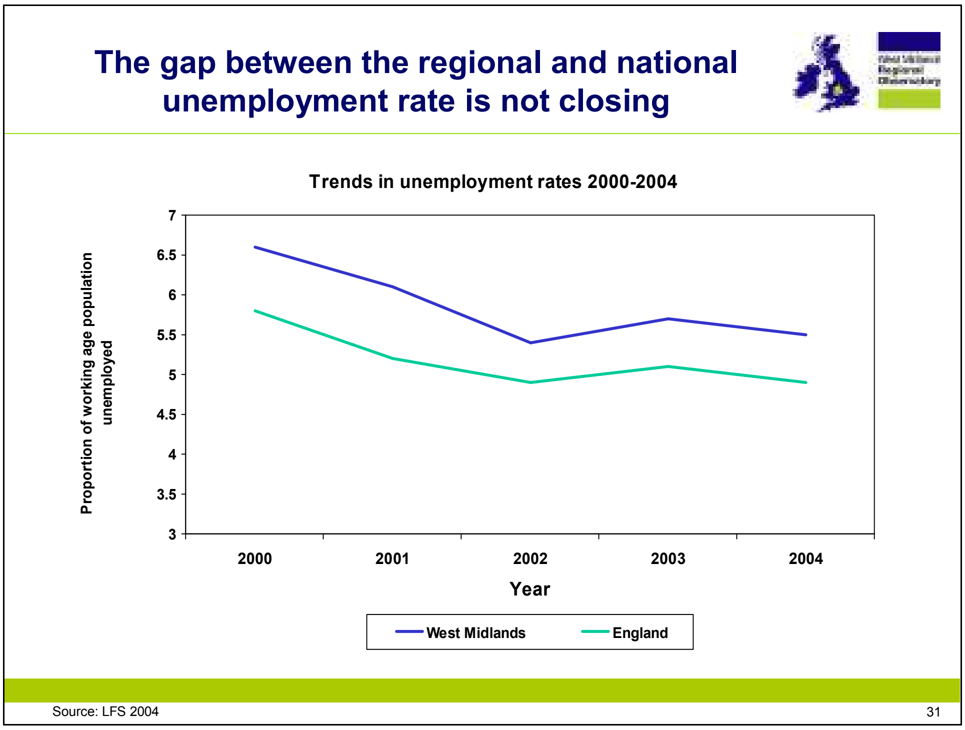
- A lack of appreciation of the value of training, particularly in the critical area of soft skills, at head office level.
- A lack of time available for managers to devote to training and skill development.
- A high proportion of managers that have 'progressed through the ranks' with no formal training who do not, in many cases, recognise the value of training.
- Difficulties in specifying the soft skills that are often the key area of deficiency, which are often seen as 'intangible', and the associated training needs.

[22] Interactive Media Cluster Research Project: AWM/LSC, 2003

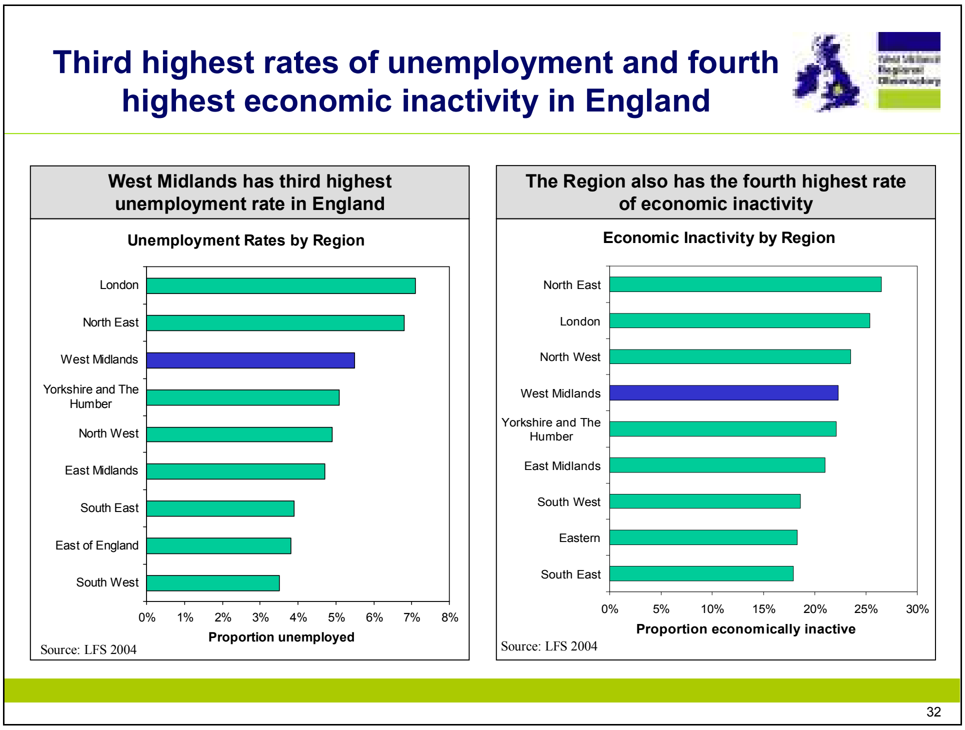
3 Individuals and communities: The supply of skills and the demand for education and training

3.1 Labour market disadvantage and the supply of skills

There are significant numbers of people within the West Midlands that are unemployed or economically inactive, representing a potential additional source of labour and skills for the Region. While unemployment rates have fallen in recent years, the gap between the regional and national average is not closing.



Among the nine English regions the West Midlands has the third highest rate of unemployment and the fourth highest rate of economic inactivity.



3.1.1 Disadvantaged groups and communities

Unemployment and low levels of economic activity are most pronounced within certain groups and communities:

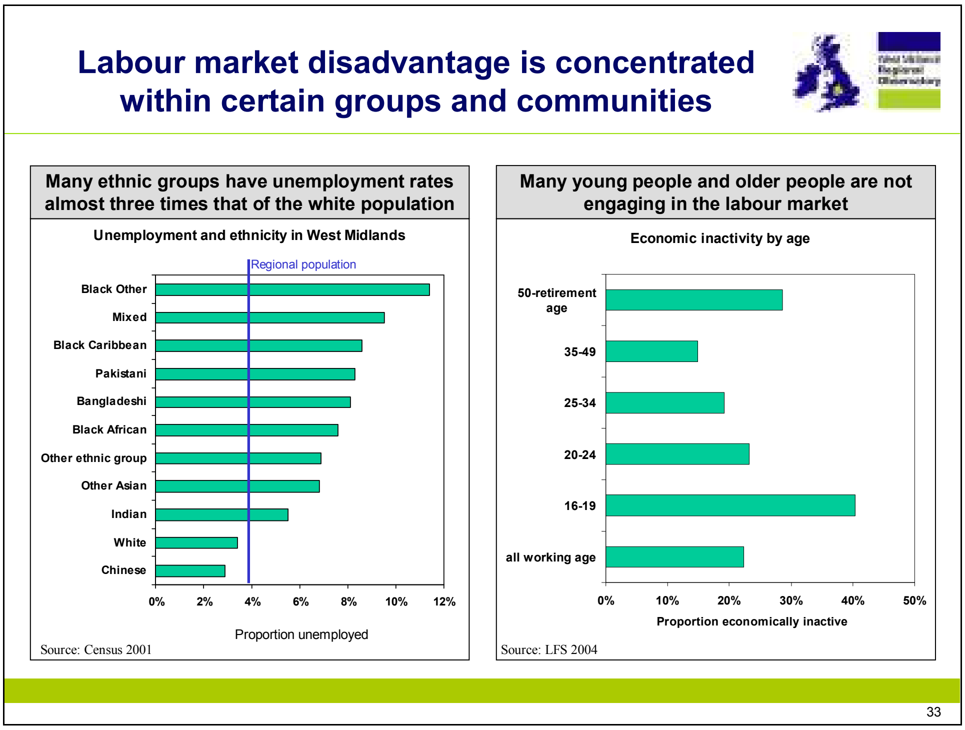
- Rates of unemployment among non-white groups are significantly higher than for the white population. While the region's unemployment rate for the white population is just 3.4% this more than doubles to over 8% for the Pakistani and Bangladeshi populations, and is higher at 8.8% for the Black Caribbean population. The rate goes as high as 11.4% for those identifying as 'black other'. All non-white ethnic groups apart from the Chinese and Indian communities show unemployment rates of almost double that of the white population.

- Only 69% of over-50s of working age in the Region, another group forecast to grow rapidly over the next decade, are in employment, which compares with 82% of 35-49 year olds. The over fifties are twice as likely as their younger counterparts to be economically inactive.[23]

[23] LFS 2004

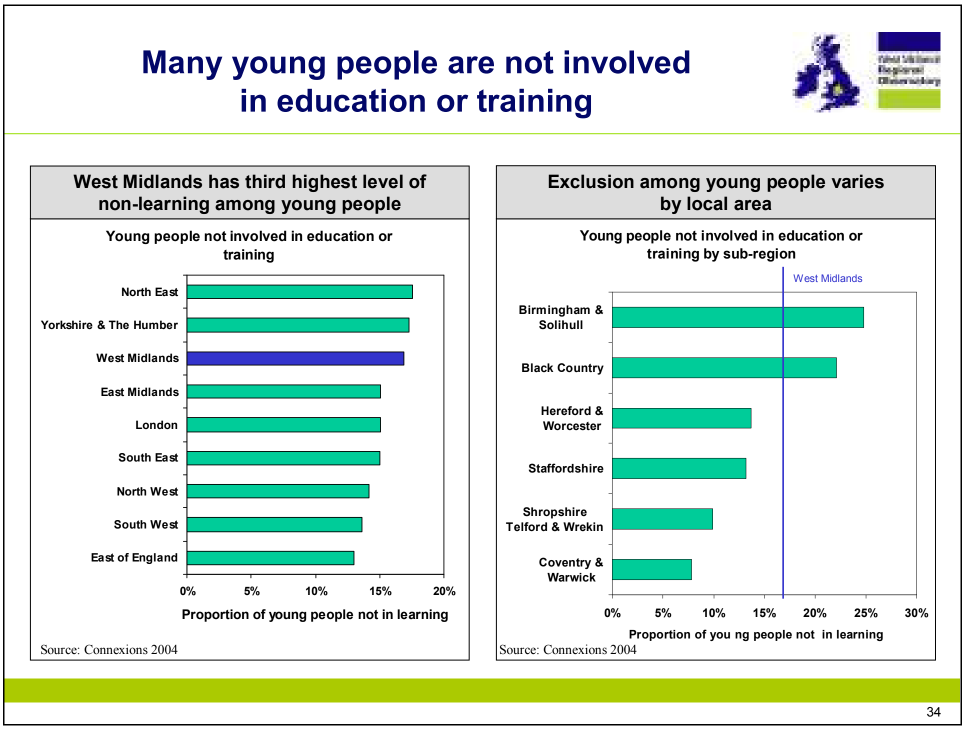
While numbers of young people in the Region's working age population are forecast to rise only marginally over the next decade, significant numbers are not participating in employment, education or training.

There are particularly high levels of unemployment among the 16-24 age group. The 16-19 age group shows unemployment rates as high as 19.9%, and the 20-24 age group has rates of 10.5%, compared with the rate for the whole working age population of just 5.5%. Youth unemployment is particularly high in urban areas, notably Stoke on Trent, Telford and Wrekin, Walsall, Wolverhampton, Birmingham and Coventry.[24]

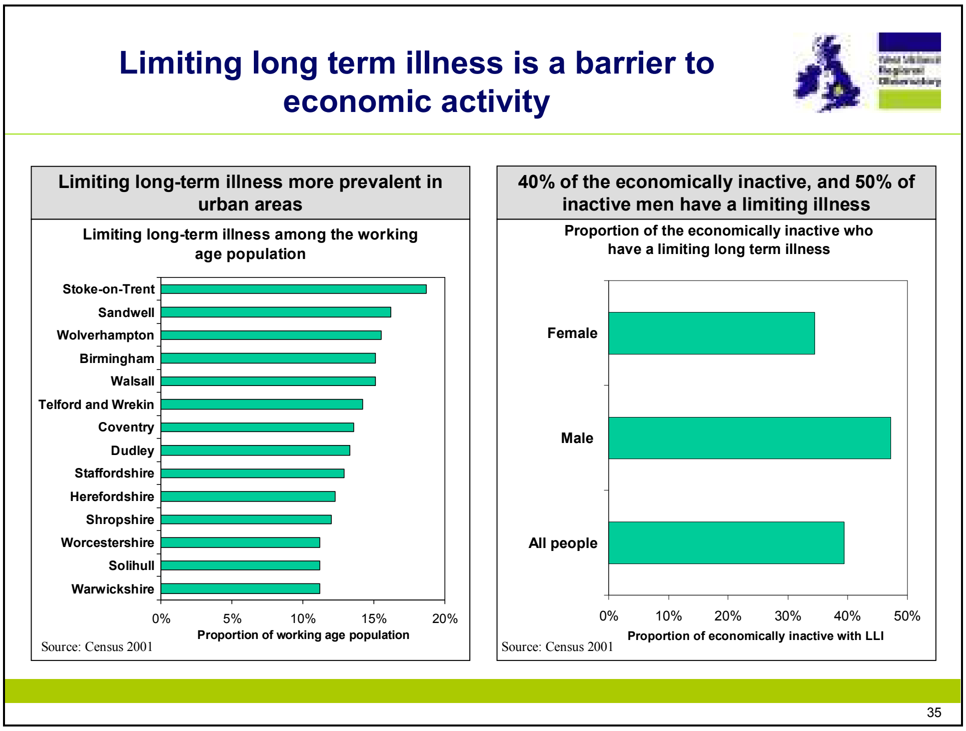


[24] LFS 2004

Many young people are failing to engage in learning or training post-16, and the Region has the third highest rate of non-learning among this age group. This group are particularly prevalent in the Region's urban centre, with around a quarter of young people in Birmingham & Solihull and the Black Country not in education or training.



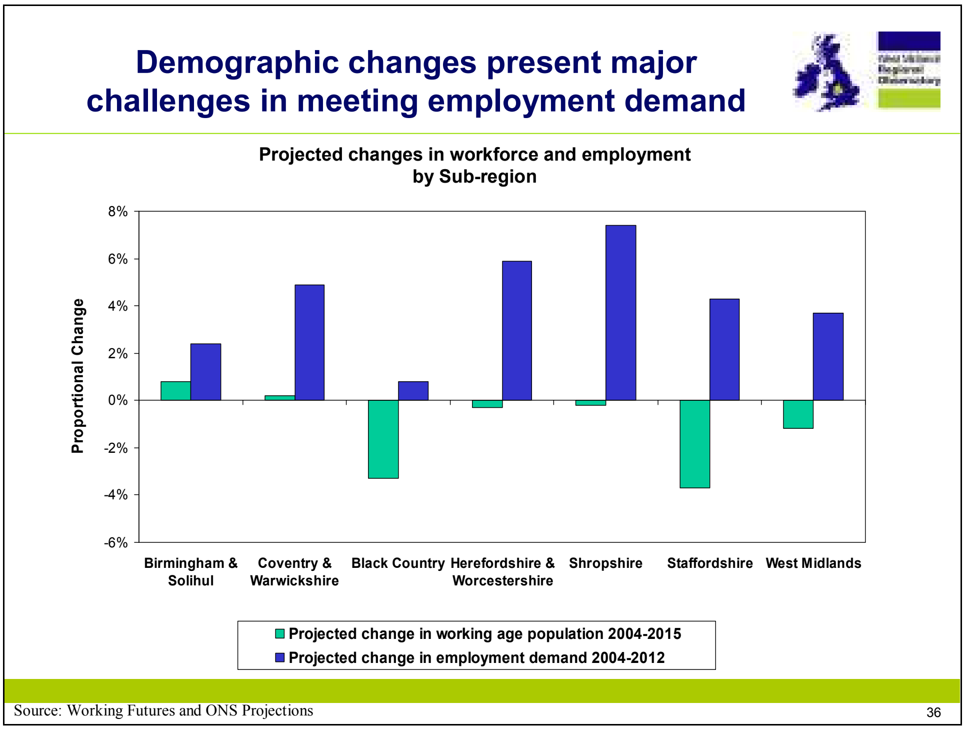
People with a disability or a limiting long term illness are another group with high rates of economic inactivity and represent another potential source of labour and skills for employers. Some 40% of the economically inactive, and nearly half of inactive men have a long term limiting illness and this group accounts for a larger proportion of the working age population in the Region's urban areas.



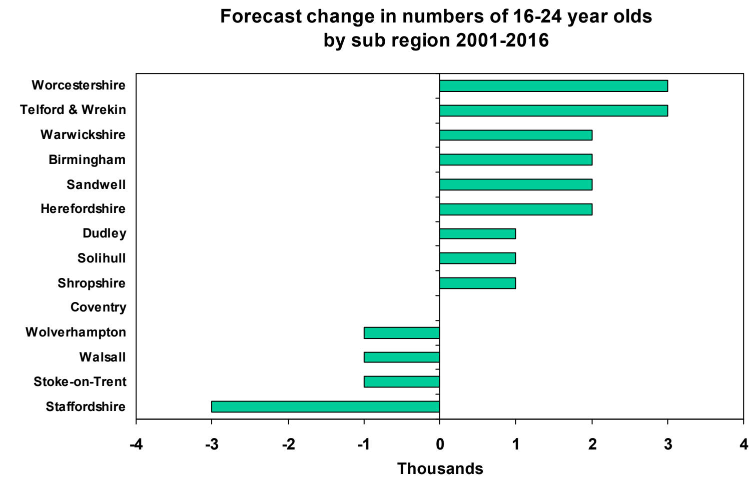
3.2 Demographic change and the supply of skills

The overall working age population is forecast to fall over the next decade, presenting major challenges for the Region in meeting growing employment demand. Numbers of 16-24 year olds are forecast to increase by 128,000 between 2001 and 2011 but fall by 44,000 between 2011 and 2016. Growth in numbers of young people will be marginal in many parts of the Region and will fall in others, and there will also be a fall in the number of 25-49 year olds. Nevertheless, some groups and communities are forecast to grow strongly and account for a growing share of the working age population in the future:

- While the white population of working age is forecast to increase by 57,000 between 2001 and 2011 numbers will fall by 65,000 between 2011 and 2016. The working age population from ethnic minority communities, meanwhile, will increase by 94,000 by 2011 and a further 37,000 by 2016.
- There will be 500,000 more people aged fifty and over of working age by 2016.



Numbers of young people will increase only marginally and fall in some sub-regions

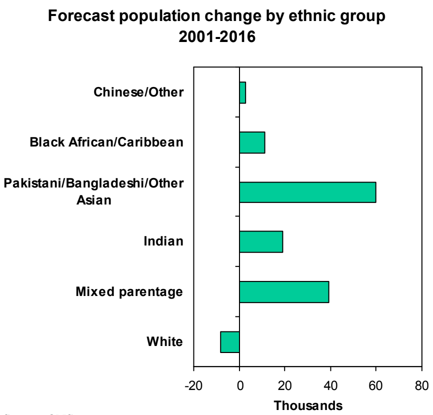


Source: ONS

37

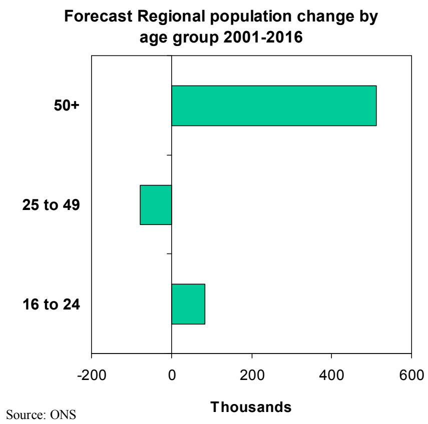
Certain sections of the Region's population represent a growing source of labour and skills

There will be 130,000 more people from ethnic minority communities of working age by 2016



Source: ONS

There will be half a million more over fifties in the working age population

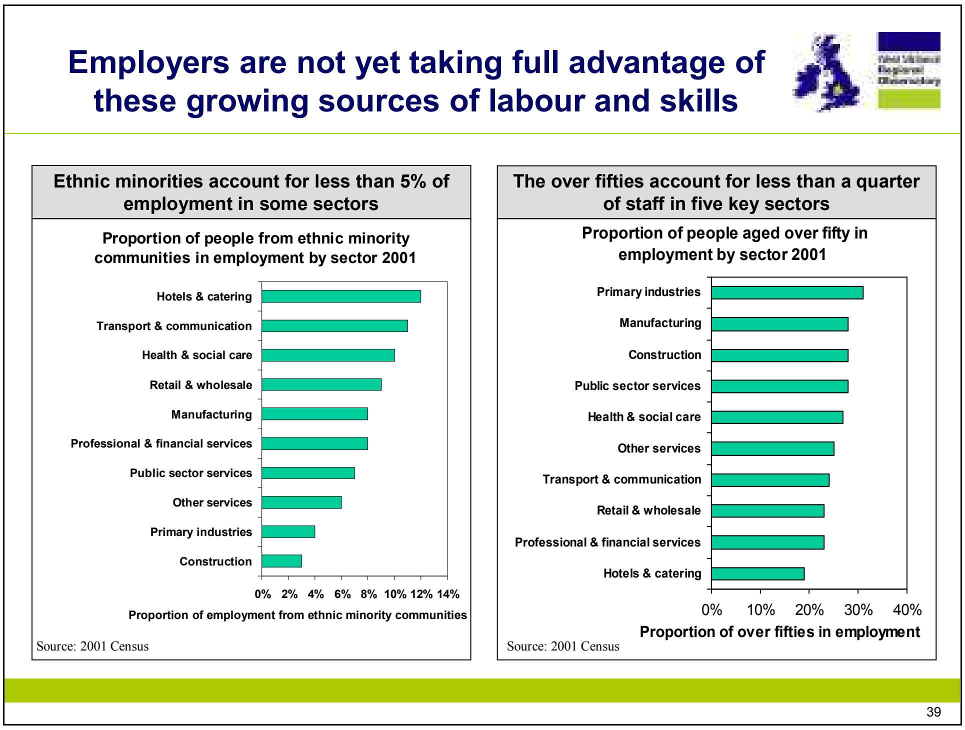


Source: ONS

38

As mentioned in the previous section, these are among the groups more likely to be disadvantaged in the labour market and less well represented in employment:

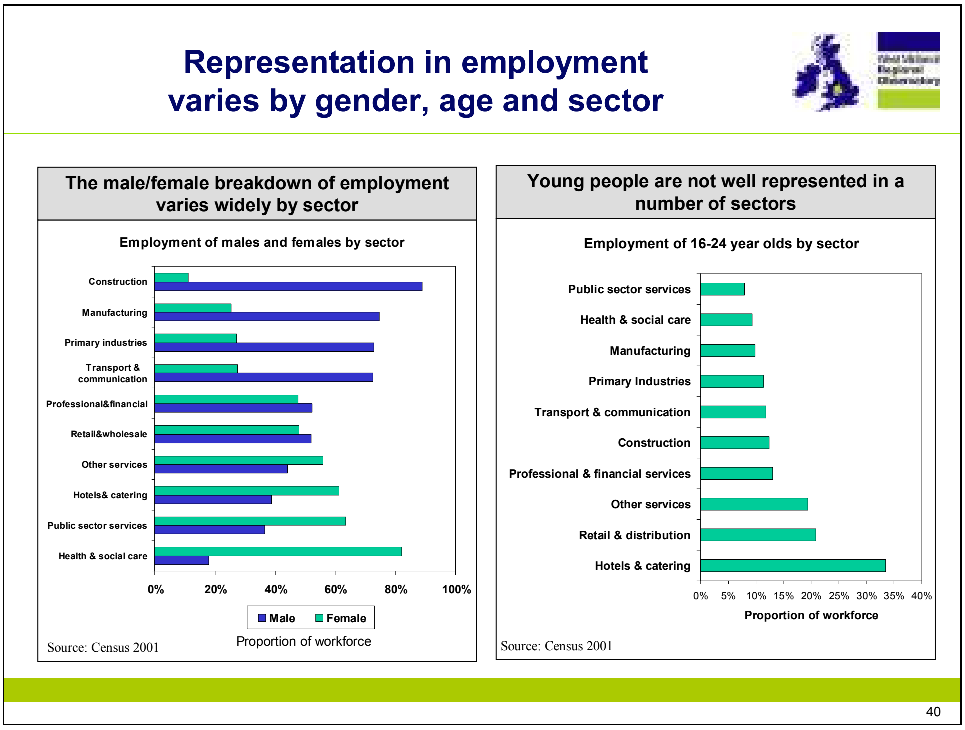
- People from ethnic minority communities account for 11% of the 'available for work' population but 3% of construction employment, 4% of employment in primary industries and 6% of employment in other services.
- While the over fifties will account for a third of the 'available for work' population by 2016 they currently account for less than 20% of employment in hotels & catering and less than a quarter of employment in the retail & wholesale, transport & communication and professional & financial services sectors.



Employers also need to look at other sections of the population that have not traditionally been well represented in their workforce:

- Representation in employment by gender varies widely by sector. While the workforce in the manufacturing, construction, transport & communication and primary sectors is male dominated, women dominate the workforce in health & care, public sector services, hotels & catering and other services.

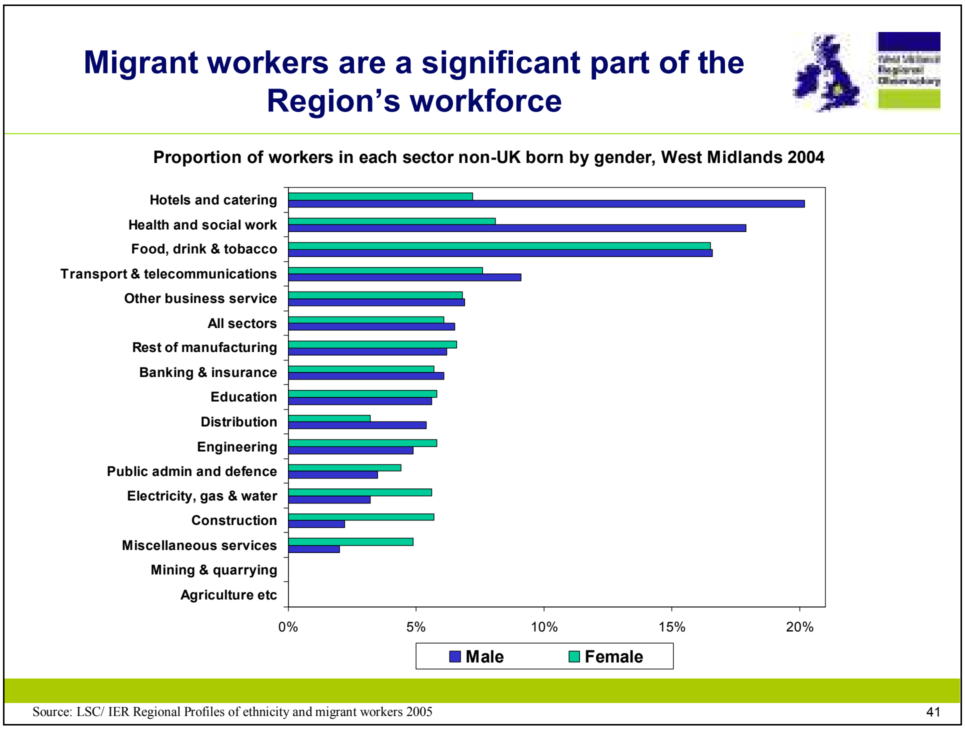
- Young people are not well represented in a number of sectors, notably health & care, manufacturing, primary industries, transport & communication and construction. These sectors have ageing workforces and may face succession problems. There will be a need to replace those leaving due to retirement, who often have valuable skills and experience. It will be important to ensure that these are passed on to other staff as part of the training and development process.



3.2.1 Migrant workers

Migrant workers – those not born in the UK, comprise a significant proportion of the Region's workers, with 6 % of all workers in the Region having been born outside of the UK.

In three major employment sectors, however, the proportion of non-UK born workers is much higher, with migrants comprising almost 20 % of male workers in hotels & catering, health & social care, and food, drink & tobacco. Female migrant workers are more evenly spread across industrial sectors, but again make up over 15 % of employment in food, drink & tobacco.



3.2.2 Case study: promoting diversity in the Region's retail sector

A number of the Region's larger retailers are developing innovative recruitment and employment policies to target marginal workers who traditionally face difficulties entering the labour market such as older workers, people from ethnic minority communities and people with family and other caring responsibilities. This is often done in order to attract sufficient workers to enable expansion and to cope with high levels of staff turnover.

Many retailers are successfully attracting older workers, valuing their maturity and experience of household and family needs and offering employment opportunities to people from ethnic minority communities, people with family and other caring responsibilities and others who traditionally face difficulties entering the labour market, providing work experience placements, basic training and flexible working arrangements. Examples include:

- B&Q supports the government's WORKSTEP scheme, aimed at enabling individuals with disabilities to engage in mainstream employment and provide a support network in order to help workers with disabilities reach their full potential. The success of the programme has seen the company's employment of workers with disabilities treble over the last three years.

- In order to meet the labour demand associated with the opening of its new Birmingham store in 2001, GAP Birmingham enlisted the aid of Jobcentre Plus. The project aimed to attract disadvantaged workers from the local area into employment at the store. Four-week training courses were provided for individuals on the New Deal programme, including older workers, lone parents and the long-term unemployed. Ten out of the 12 individuals enrolled on the scheme accessed employment in the store and all remain in GAP employment. The store also recruited eight disabled workers, some suffering severe disability

- Marks & Spencer's 'Marks and Start' programme was launched in February 2004, potentially offering up to 10,000 work experience placements over the next three years, targeted at those who may face barriers to employment. The work experience placements last between two and four weeks and offer the opportunity to work in M&S stores and offices to school children, people with disabilities, parents returning to work, the young unemployed, the homeless and students who are the first in their family to aim for higher education.

- In 2002 ASDA won the Castle Award for promoting equal pay and opportunities for women. Initiatives include store manager job sharing, childcare leave, shift swapping and 'school starter' schemes, which are centred around operating flexible working practices to encourage female participation and facilitate progression to more senior roles. The company is actively targeting older workers in its recruitment and employs over 20,000 workers aged 50 or over (19 per cent of their workforce), making the company the UK's biggest employer of the over 50s. It will be important for other employers to adopt similar good practice.

- Tesco established the 'Tesco Regeneration Partnership Programme' in 1999. Initiatives are targeted at the long-term unemployed (as identified by Jobcentre Plus) with potential employees selected on attitude and aptitude rather than qualifications. All those selected are then enrolled on the 'Job Guarantee Scheme', which provides eight weeks of basic training with the guarantee of a job on successful completion. The security this offers attracted an above average proportion of older males, increasing diversity in a typically young and female workforce.

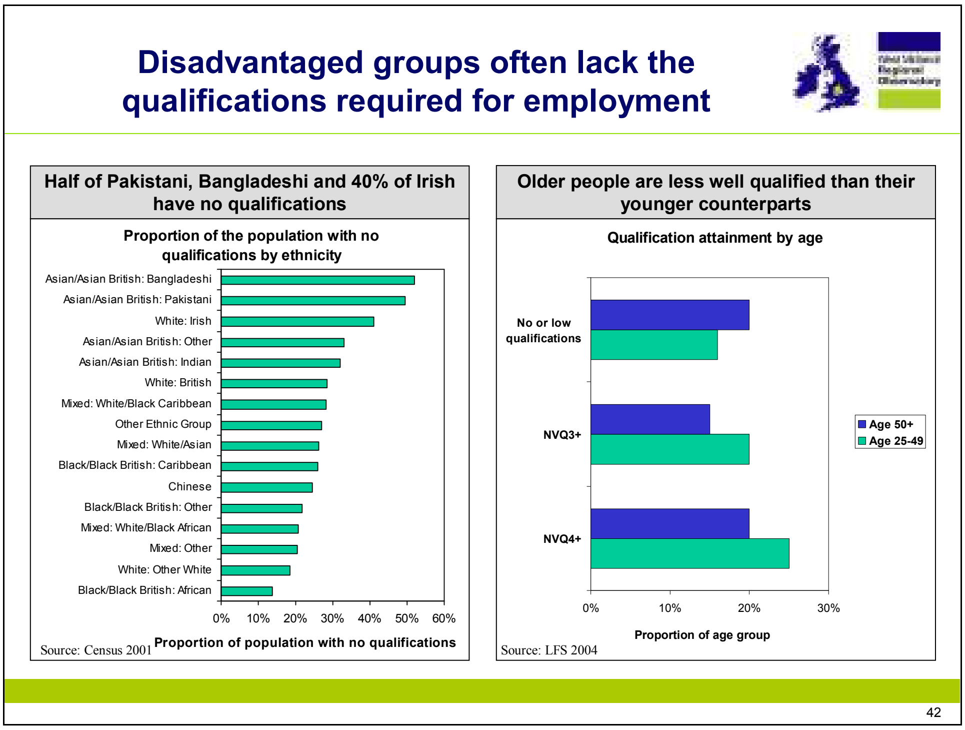
3.3 Barriers to participation in the labour market

3.3.1 Lack of qualifications

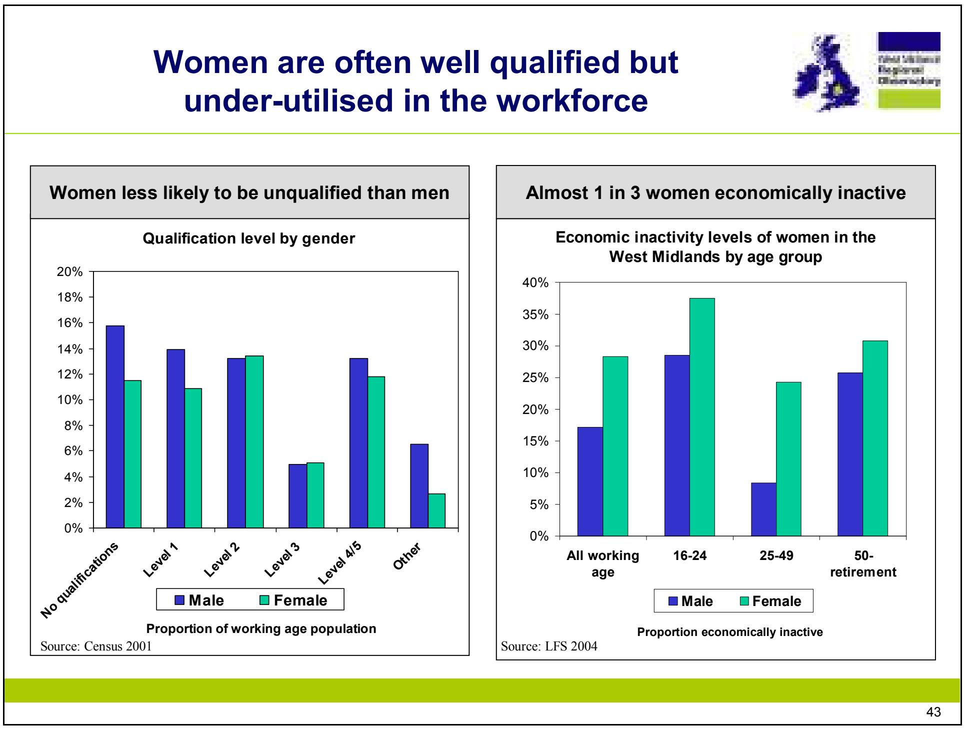
Disadvantaged groups and communities often lack the skills and qualifications required for employment:

- There are considerable variations in qualification levels among ethnic groups, with particularly high numbers of Pakistani (49%), Bangladeshi (51%) and Irish (41%) people reporting no formal qualifications. Black Caribbean, mixed white and Black-Caribbean, and white British people, meanwhile, are qualified to relatively low levels.
- Older people are more poorly qualified than their younger counterparts. Some 20% have low or no qualifications which compares with 16% for 25-49 year olds. Only 20% are qualified to NVQ Level 4 or above which compares with 25% for 25-49 year olds. The proportion of over 50s in the Region with no formal qualifications (29%) is well above the national average of 23.6%.[25]

[25] LFS 2004



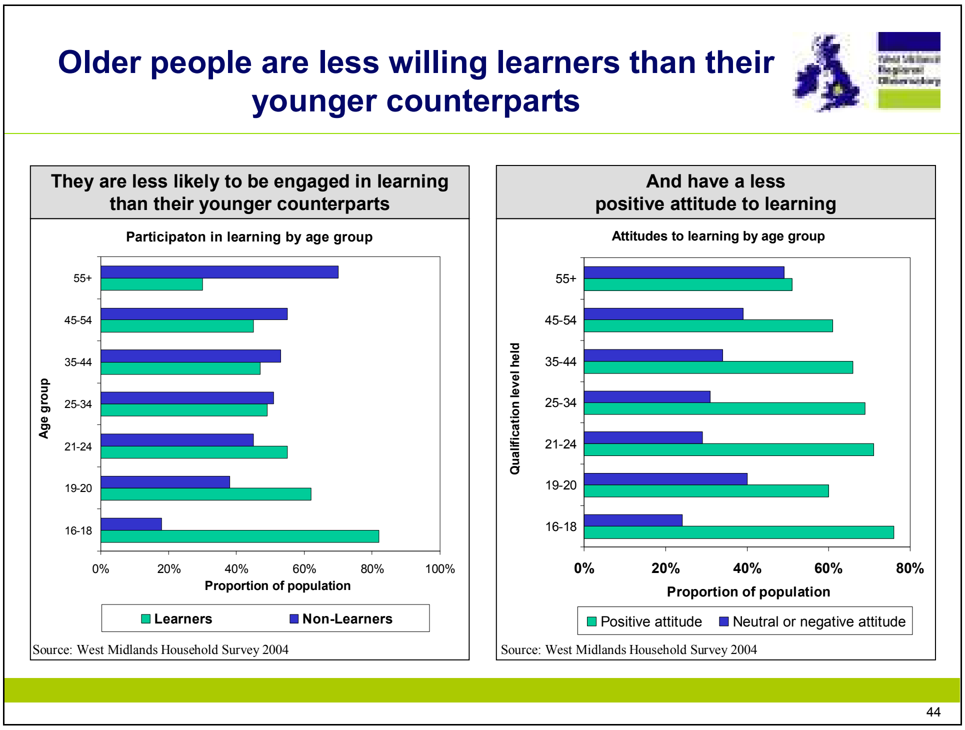
Conversely, women are often well qualified but under-utilised in the workforce. Women are more likely than men to hold formal qualifications and to be qualified to NVQ levels 2 or 3 but almost one in three are economically inactive. While some may be inactive by choice, for example due to family or other caring responsibilities, especially at a younger age, many others, for instance the over 50s, are likely to be a valuable source of labour and skills.



3.3.2 *Attitudes to learning*

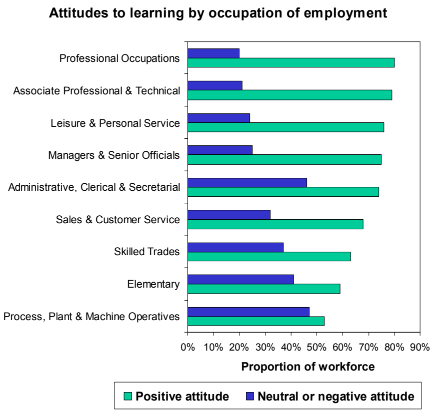
Unfortunately those in most need of training and up-skilling are least likely to appreciate the benefits:

- Despite their lack of qualifications, older people are often less willing learners than their younger counterparts. Only a quarter of those aged 55 plus are engaged in learning and rates of participation fall steadily downwards through the age groups.
- Older people, those with no qualifications and those working in lowly paid, unskilled jobs are least likely to have a positive attitude to learning.
- People in employment and those working in the public sector in particular are most likely to have a positive attitude to learning. As highlighted in the section on employer investment in training, the public sector is also characterised by a particularly positive attitude to investment in training among employers.



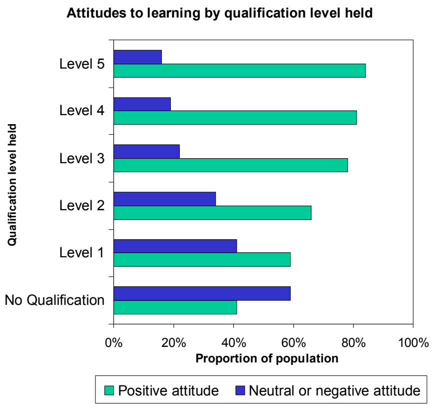
Those in most need of training and up-skilling are least likely to understand the benefits

Those in low paid unskilled jobs are least likely to see the benefits of learning



Source: West Midlands Household Survey 2004

Those with no or low qualifications are least likely to have a positive attitude to learning

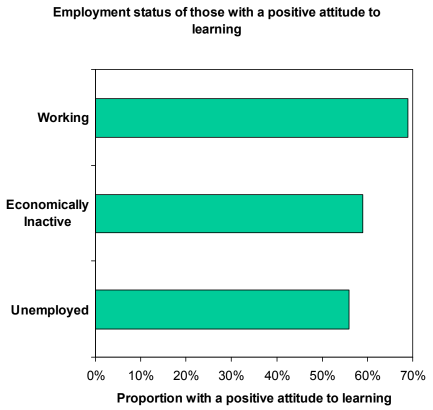


Source: West Midlands Household Survey 2004

45

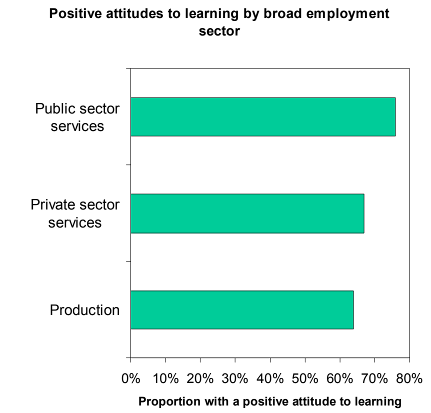
Attitudes to learning vary by sector and employment status

Those in employment are more likely to have a positive attitude to learning



Source: West Midlands Household Survey 2004

Public Service employees are most likely to have a positive attitude to learning



Source: West Midlands Household Survey 2004

46

3.3.3 Other barriers to participation in the labour market

While a lack of appropriate qualifications and skills are key barriers, other inter-linked issues combine to inhibit participation in learning, employability and general life chances, reinforcing a cycle of exclusion, social polarisation and disadvantage.

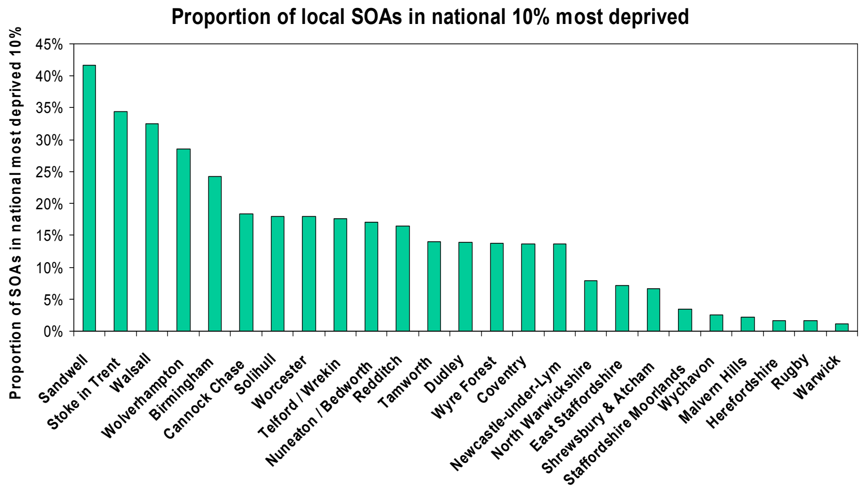
3.3.4 The geographical distribution of labour market disadvantage in the West Midlands

The Index of Multiple Deprivation measures labour market disadvantage across the UK using a range of indicators and on the basis of Super Output Area (SOAs) comprising around 1500 residents. These SOAs are much smaller than electoral wards, typically comprising just a few streets, and therefore enabling close examination of local area deprivation. Indicators are grouped and analysed according to particular themes, one of which is education, skills and training, the results of which will be examined here. Indicators relating to education, skills and training measure education deprivation among children and young people and a lack of skills and qualifications among adults.

The analysis highlights particular concentrations of deprivation in the Region's urban centres, particularly parts of the Black Country, Birmingham and Stoke-on-Trent which have more than a quarter of their SOAs in the most deprived decile nationally. Three local Learning & Skills Councils areas - Birmingham & Solihull, the Black Country and Staffordshire, account for 70% of the Region's most deprived SOAs. There are also pockets of significant education, skills and training related deprivation elsewhere in the Region. More than 15% of SOAs are in the worst 10% nationally in Cannock Chase, Solihull, Worcester, Telford & Wrekin, Nuneaton & Bedworth and Redditch.[26]

[26] IMD 2004

Deprivation is concentrated in the urban core but there are pockets elsewhere

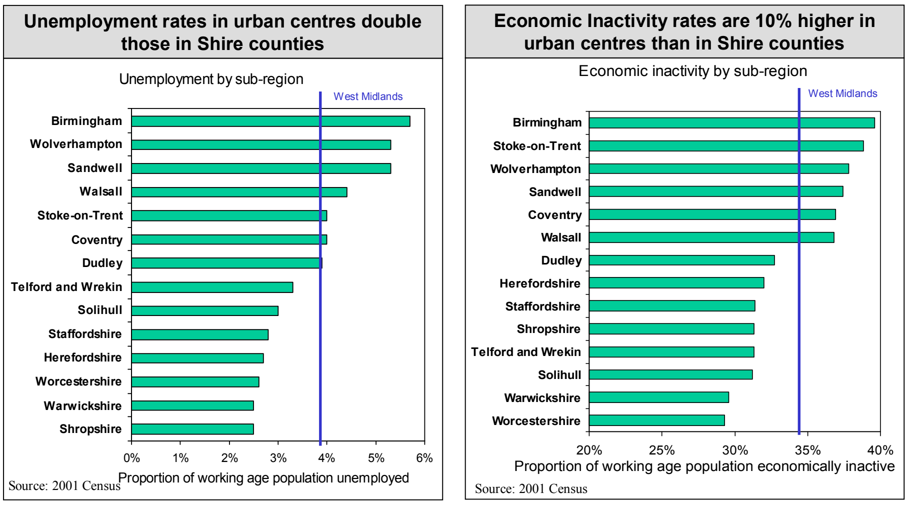


Source: IMD

47

The highest rates of unemployment and labour market inactivity are concentrated in the urban centres of Birmingham, Wolverhampton, Sandwell, Stoke-on-Trent and Coventry. Unemployment rates in these areas are double those in the 'shire counties' and economic inactivity rates are 10% higher.

Highest rates of unemployment and economic inactivity are in urban areas



48

People in those parts of the Region with a higher incidence of labour market disadvantage are least likely to have a positive attitude to learning. Less than 60% of people in the Black Country, Staffordshire and Birmingham & Solihull local LSC areas have a positive attitude to learning, which compares with 73% in Herefordshire & Worcestershire and Coventry & Warwickshire[27].

3.3.5 Case study: East Birmingham and North Solihull Regeneration Zone

In the East Birmingham and North Solihull Regeneration Zone there are estimated to be some 75,000 people, concentrated in the parts of the Zone in inner city Birmingham and North Solihull, who are not realising their potential through sustainable employment[28].

Within this group some 65% have no qualifications, a figure more than one and a half times higher than the proportion for those not in work in the West Midlands Region as a whole. Some 47% feel they have serious deficiencies in IT skills, which compares with 36% of the region's working population as a whole and nearly 30% feel that they have inadequate numeracy skills, which compares with 17% of the region's working population as a whole. A programme of face to face interviews and focus group discussions reveal that, while a lack of adequate skills and qualifications are an issue, people face a range of other barriers to accessing employment:

- Transport issues: While less than 40% of non-working Zone residents are car drivers many jobs are in locations inaccessible by public transport. While there are good links with central Birmingham throughout the Zone via the 'hub and spoke' bus and train network, cross-cutting services connecting with key employment centres such as Birmingham International Airport and the NEC, Star City, Touchwood and the Fort Retail Park, Birmingham Business Park, Blythe Valley and Hams Hall are limited.

- Childcare issues: Problems with the availability of childcare in many parts of the Zone limit the ability of groups such as single parents and couples with children to seek work.

[27] West Midlands Household Survey 2004
[28] The Supply of and Demand for Skills in the East Birmingham and North Solihull Regeneration Zone; qualitative survey, face to face interview and focus group research programme commissioned by the East Birmingham and North Solihull Regeneration Zone skills task group, 2001

- A requirement for shift working and unsociable hours: which do not suit those with childcare and other family responsibilities and may require journeys to work at times when there is no public transport.
- A lack of motivation or drive to secure a job: For some young people with no dependents or mortgage/other housing commitments the 'formal' job market is an occasional concern with 'cash in hand' jobs or even criminal activity making up income needs.
- Cultural barriers associated with the participation of Muslim women in jobs and learning.

Glossary of Terms

GVA	Gross Value Added (GVA) is a measure of the economic activity within an economy and measures production and income. It provides a measure of economic growth and wealth creation
GDP	Gross Domestic Product (GDP) measure total expenditure on finished or final goods and services produced in the domestic economy
Knowledge Economy	This refers to the level of knowledge workers in a sector: High knowledge intensity sectors are those in which typically 40% or more staff are qualified to degree level or above. Medium knowledge intensity sectors are those where between 25% and 40% of staff are qualified to this level
Working Futures	Working Futures and Working Futures 2 are sets of projections undertaken by the Institute for Employment Research on behalf of the Sector Skills Development Agency and the Learning and Skills Council
Net new jobs	Overall employment growth, excluding replacement employment
SOAs	Super Output Areas (SOAs) are small local areas identified for use in the Index of Multiple Deprivation for their homogeneity, typically comprising around 1500 residents
LSC	Learning and Skills Council: Responsible for funding and planning education and training for over 16s in England
IER	Institute for Employment Research, based at the University of Warwick
IMD	Index of Multiple Deprivation, developed by the Office of the Deputy Prime Minister
HESA	Higher Education Statistics Agency
HEFCE	Higher Education Funding Council for England
ABI	Annual Business Inquiry
APS	Annual Population Survey
LFS	Labour Force Survey
NESS	National Employer Skills Survey
ONS	Office for National Statistics
DfES	Department for Education and Skills
CITB	Construction Industry Training Board
Connexions	The information and advice service for 13-19 year olds
LGA	Local Government Association

Full Document Information

Title:	Regional Skills Partnership: Regional Skills Assessment 2005
Alternative title:	Regional Skills Assessment 2005
Creator:	Skills Research Team, West Midlands Regional Observatory Level L1, Millennium Point, Curzon Street, Birmingham, B4 7XG Tel. 0121 202 3249 Fax. 0121 202 3240 E-mail: andy.phillips@wmro.org
Publisher:	West Midlands Regional Observatory Level L1, Millennium Point, Curzon Street, Birmingham, B4 7XG Tel. 0121 202 3250 Fax. 0121 202 3240 E-mail: enquiries@wmro.org Web: http://www.wmro.org
Addressee:	Regional Skills Partnership
Date created:	2005-12-19
Status:	Version 1.1, for publication
Subject category:	Education, Careers and Employment; Education and Skills. Business and Industry; Business Sectors. Science, Technology and Innovation; Research and Development.
Subject keywords:	Skills assessment, report, business, growth, economy, GVA, sectors, projections, demographics, communities, social exclusion, economic exclusion, employment, unemployment, graduates, qualifications, basic skills, ethnic minorities, mature workforce, older people, gender
Description:	A report examining the situation regarding skills in the West Midlands. 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. The report then examines the skill levels of the available workforce and whether they match the demands of the economy.
Coverage, Geographical:	West Midlands region
Type:	Report
Format:	Text, PDF, Internet
Rights:	Copyright 2005 West Midlands Regional Observatory
Identifier:	http://www.wmro.org/resources/res.aspx/CmsResource/resourceFilename/453/Regional-Skills-Assessment_V1.0_Report_AP.pdf
Document contact:	Andy Phillips, Head of Skills Research, Skills Research Team, West Midlands Regional Observatory Tel. 0121 202 3251, E-mail: andy.phillips@wmro.org

West Midlands Regional Observatory
Level L1
Millennium Point
Curzon Street
Birmingham B4 7XG

Telephone: 0121 202 3250
Fax: 0121 202 3240
E-mail: enquiries@wmro.org
www.wmro.org

EUROPEAN UNION
European Social Fund