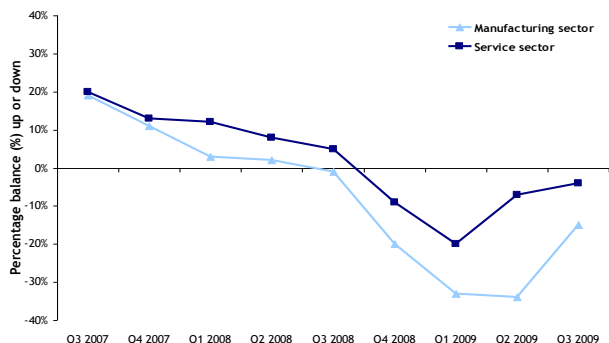


## Briefing paper – December 2009 The economic downturn: Impact on skills and the labour market

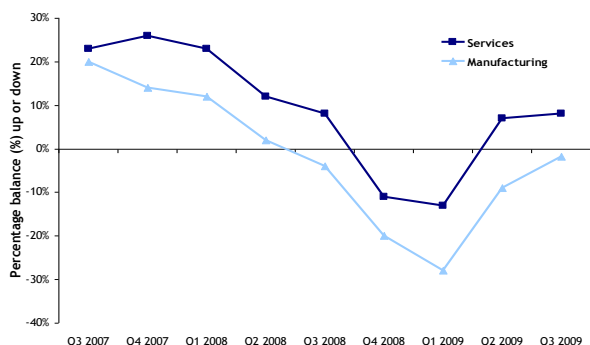
Labour force changes in the West Midlands over the last 3 months by sector



Source: Chamber of Commerce survey

West Midlands Regional Observatory 2009 1

Labour force changes in the West Midlands over the next 3 months by sector



Source: Chamber of Commerce survey

West Midlands Regional Observatory 2009 2

Table 1: Labour force changes over the next 3 months

Region	Services	Services ranking	Manufacturing	Manufacturing ranking
East Midlands	10%	4	-11%	9
Eastern	12%	2	-8%	8
South West	11%	3	-6%	7
North West	0%	9	-5%	5 (joint)
Yorkshire & Humber	9%	6	-5%	5 (joint)
North East	14%	1	-3%	4
West Midlands	8%	7	-2%	3
South East	7%	8	-1%	2
London	9%	5	7%	1

### Tentative signs of an upturn in the economy

Preliminary estimates show that the UK's GDP contracted again in the third quarter of 2009 (by 0.4%). This is the sixth consecutive quarter of negative growth, the longest period on record.

Nationally, September was the fourth successive month in which the manufacturing Purchasing Managers Index has reported growing business activity, although the pace of growth slowed. The sector also saw new export orders grow faster in August.

In the West Midlands, meanwhile, the Purchasing Managers Index reported a third consecutive month of growing business activity. The pace of growth was the best the region has seen since October 2007, but still below the national average<sup>1</sup>.

### An improving regional labour market

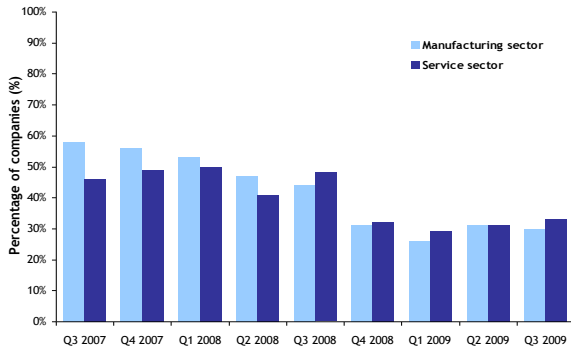
Findings from the regional British Chambers of Commerce Quarterly Economic Survey for the third quarter of 2009 reveal that increasing numbers of employers are taking on new staff. However, there were still more firms reducing their employment than increasing it.

- In the service sector 4% more firms had reduced their workforce than increased it over the last 3 months - an improvement on the negative balance of 7% in the second quarter of 2009 and a negative balance of 20% in the first quarter.
- In the manufacturing sector 15% more firms had reduced their workforce than increased it over the last 3 months - which compares with a negative balance of 34% in the second quarter of 2009.

A further improvement in labour market conditions is expected in the final quarter of the year.

- In the service sector, 8% more service firms expect to increase their workforce than expect to reduce it—the seventh best performance of the 9 English regions.
- While 2% more manufacturing firms are expecting to reduce their workforce than expecting to increase it, this compares with a negative balance of 9% in the previous quarter—the third best performance in England. London is the only region expecting an increase in workforce over the next three months.
- Anecdotal intelligence from Sector Skills Councils indicates that employment levels are increasing in the region in the following areas: the NHS, the care sector, independent garages, car servicing and repair, civil engineering and infrastructure projects, cleaning services and facilities management and HGV drivers.

Proportion of West Midlands companies who have attempted recruitment by sector



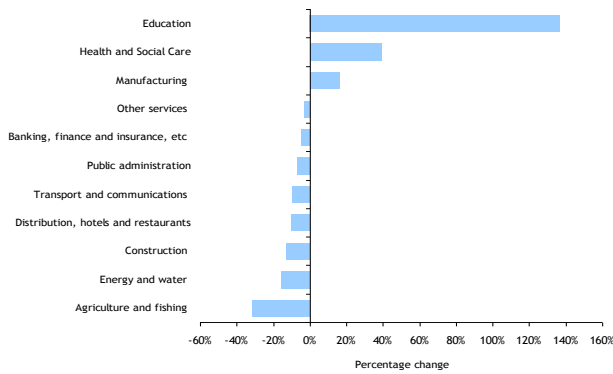
Source: Chamber of Commerce survey West Midlands Regional Observatory 2009 3

Recruitment activity has started to increase

After falling steadily during 2008 the proportion of West Midlands employers trying to recruit has risen for three successive quarters.

- 30% of manufacturing companies indicated that they were trying to recruit new staff in the 3rd quarter of 2009 - up from 26% in the first quarter.
- 33% of service companies indicated that they were trying to recruit new staff in the 3rd quarter of 2009—up from 29% in the first quarter.

Percentage difference in vacancies notified to West Midlands Job Centres by sector, October 2008 - October 2009



Source: NOMIS (JCP) West Midlands Regional Observatory 2009 4

There has been an upturn in job vacancies but trends vary widely by sector and occupation

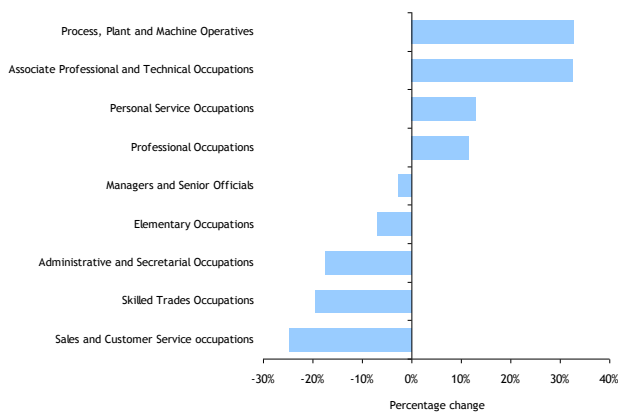
Data from Jobcentre Plus indicates that the number of job vacancies notified to Jobcentres across the region has increased between October 2008 and October 2009:

- Education - up by 700 (137%)
- Health and Social Care - up by 2,800 (39%)
- Manufacturing - up by 200 (17%)
- Process, Plant and Machine Operatives— up by 1,500 (33%) - The highest proportion of notified vacancies were for transport drivers and operatives (65%)
- Associate Professional and Technical Occupations up by 1,000 (33%), particularly sales (up by 42%) and health associate professionals (up by 21%)
- Personal service occupations - up by 400 (13%)

But vacancy levels are still falling in:

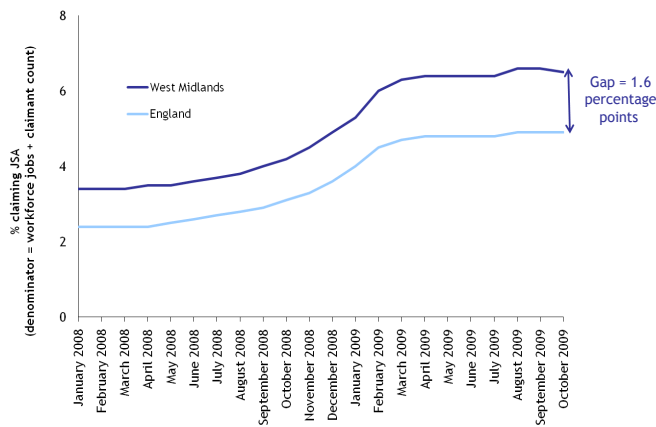
- Agriculture, energy, water, construction, retail, hotels & restaurants, transport & communication and banking and finance
- Sales and customer service, skilled trades, admin & secretarial, unskilled elementary and managerial occupations

Percentage difference in vacancies notified to West Midlands Job Centres by occupation, October 2008 - October 2009



Source: NOMIS (JCP) West Midlands Regional Observatory 2009 5

**Claimant rate trend between January 2008 and October 2009**



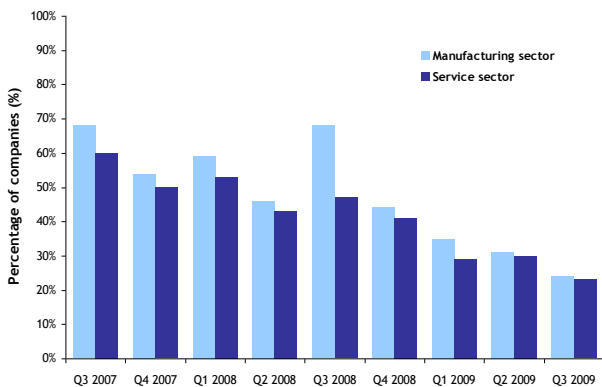
**The claimant gap is widening in the West Midlands**

Since April 2008 the number of people claiming Jobseekers Allowance (JSA) has increased by over 90,000 to 186,000 claimants in the region. The gap between the claimant rate in the West Midlands and England has grown during the recession indicating the more severe impact of the recession on this region.

The claimant rate rose sharply between August 2008 and March 2009 before levelling off over more recent months.

Source: Office for National Statistics (claimant count, seasonally adjusted) West Midlands Regional Observatory 2009 6

**Proportion of West Midlands companies who have had recruitment difficulties by sector**

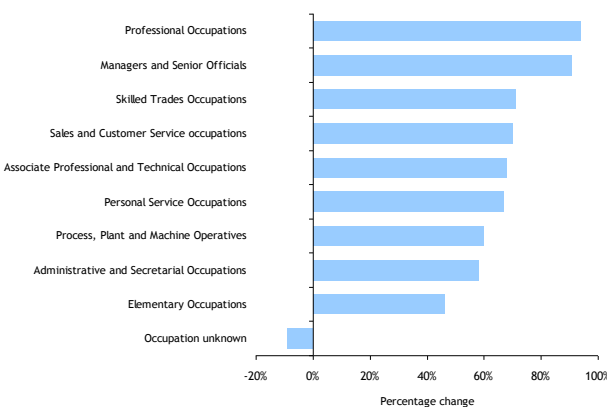


**Recruitment problems have persisted**

Despite high levels of unemployment many companies are struggling to find people with the skills, experience and qualifications they require. While the proportion has fallen during the recession in the 3rd quarter of 2009 more than 20% of both manufacturing and service sector firms looking to recruit were still encountering difficulties.

Source: Chamber of Commerce survey West Midlands Regional Observatory 2009 7

**Percentage change in West Midlands claimant unemployed by occupation, October 2008 - October 2009**



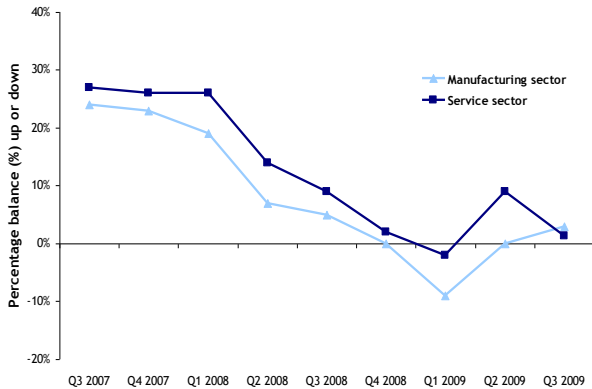
**There is a need to match unemployed people to available vacancies**

Despite an upturn in job vacancies in a number of occupations, numbers of claimant unemployed with skills and experience in these areas continues to rise. Since October 2008:

- The number of unemployed people in professional occupations has increased by nearly 3,000 (94%).
- The numbers of unemployed associate professionals as increased by more than 4,200 (68%)
- The number of unemployed people in personal service occupations has increase by 3,700 (67%)
- The number of unemployed operatives has increased by 8,700 (60%)

Source: NOMIS (Claimant Count, non-seasonally adjusted) West Midlands Regional Observatory 2009 8

Planned investment in the West Midlands in training by sector - next 3 months



Source: Chamber of Commerce survey

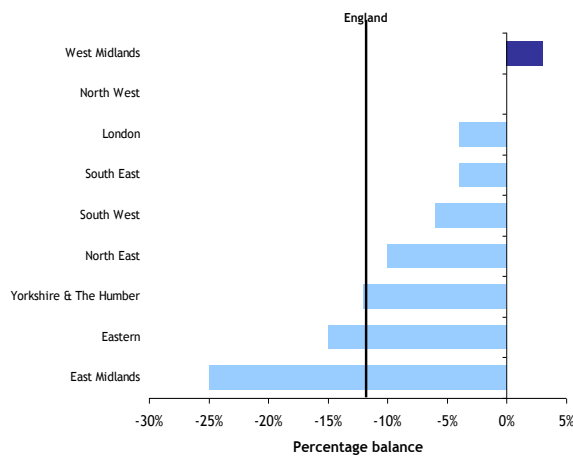
West Midlands Regional Observatory 2009 9

More firms are planning to invest in training and up-skilling over the coming months

Encouragingly, the number of companies are responding to these issues by investing in the skills of existing staff is also increasing:

- In the manufacturing sector 3% more firms plan to increase investment in training over the next 3 months than plan to reduce it- the best performance of any English region. This compares to a balance of 0% in quarter 2 and a negative balance of 10% in quarter 1.
- In the service sector 1% more firms plan to increase investment over the next 3 months than plan to reduce it. While this represents a decline on the second quarter of the year it still represents a significant improvement on the first quarter when there was a negative balance of 2%.

Percentage balance in planned Investment in Training in Manufacturing Q3 2009 (up or down)



Source: Chamber of Commerce survey

West Midlands Regional Observatory 2009 10

For further information, please contact:

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