

Regional Skills Assessment 2009: Birmingham & Solihull Sub-Regional Skills Profile key headlines and conclusions



1 National and regional ambitions

At a national level there is an ambition to move from the second to the first quartile of OECD countries for jobs and productivity. It is recognised that skills play a key role in achieving this and the Leitch Review of Skills commissioned by the government in 2006 highlights the need to achieve a step change in the UK's skills performance. To this end the review sets a series of stretching targets. While some 89% of adults need to achieve at least a level 1 in literacy and at least entry level 3 in numeracy by 2011, 79% need to be qualified to at least level 2 and 34% need to be qualified to at least level 4.

The West Midlands Economic Strategy highlights the need to close the region's £15 billion output gap with the UK in terms of Gross Value Added (GVA) per head which is widening year on year. In particular there is a need to tackle an under-representation of higher value added sectors, a lower proportion of high growth firms and lower rates of innovation and enterprise than in many other regions - which are all limiting the demand for higher level skills and the creation of higher skilled, well paid jobs in the region. The Region's Skills Action Plan recognises that, if these challenges are to be addressed, a step change in skills performance is needed. The plan sets ambitious targets for qualification attainment for 2011, with the aim of meeting the targets set for the UK in the Leitch Review of Skills.

2 Skills and economic performance

The Skills Action Plan also recognises that, in combination with other key drivers such as enterprise, innovation and investment, skills can play a key role in realising these ambitions. Skilled people are one of the building blocks of successful businesses. Skilled workers can carry out more complex tasks, work more effectively and produce higher value products and services. They are also better at adapting to changing working environments, enabling firms to respond better to changing global competition and technology. This tends to be particularly effective when businesses use these skills in combination with investment in innovation and technology.

3 The scale of the challenge in Birmingham & Solihull

Although progress has been significant on a number of fronts, the scale of the challenge to meet the Skills Action Plan targets for 2011 varies across the region. While performance in some areas is strong it lags behind in others.

For further details please contact Andy Phillips at the West Midlands Regional Observatory (E: andy.phillips@wmro.org T: 0121 202 3251)

For example, in Birmingham 52,000 more working age adults would need to become qualified to NVQ level 4 or above (to move from a current 25% to 34%), 80,400 more would need to become qualified to level 3 or above (from 42% to 56%) and 103,800 more would need to become qualified to level 2 or above (from 61% to 79%). In contrast Solihull has already achieved the level 4 target (some 35% of working age adults have attained this level). The area's strong performance is further evidenced by the fact that only 1,800 more would need to become qualified to level 3 or above (54% have attained this level) and just 8,400 more would need to become qualified to level 2 or above (71% have attained this level)¹.

4 Recent skills performance in the sub-region

4.1 Demand side issues

To boost economic performance, close the output gap and tackle worklessness and disadvantage there is a need to stimulate demand for skills and encourage their effective utilisation. In particular there is a need to support the development of higher value added, knowledge intensive sectors and clusters that provide highly skilled jobs and are linked to the government's New Industries New Jobs agenda. While accounting for only a limited share of GVA and employment a number are gaining a foothold in the sub-region. They include digital media and ICT in Birmingham, ICT in Solihull, and higher value business & professional services in both areas.

There is also a need to support the further expansion of sectors which, while less knowledge intensive, have grown rapidly in recent years and offer opportunities for those with fewer skills to access and progress in employment. These include health & social care, public administration and tourism & leisure in Birmingham and education and transport in Solihull. There are also key sectors in which, while declining in employment terms, there are still business and market opportunities in specific areas. For example, engineering and transport technologies still account for a significant proportion of GVA and employment in both areas while a range of other manufacturing industries remain key to the Birmingham economy.

In addition many of these sectors, and engineering, manufacturing, public administration and education in particular, have an ageing workforce. In each case more than 40% of the workforce is aged 45 or more and many people will be retiring over the next few years - taking their skills and experience with them. As a result there will be considerable 'replacement demand' for employment and skills.

¹ It should be noted that these figures are quoted to illustrate the varying position across the region. No specific targets have been set at a sub-regional or local level
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4.2 Supply side issues

While there have been considerable improvements in qualification and skills attainment, achievement varies widely within the sub-region. While some areas perform well, others have a much weaker skills base, which may constrain the potential for improving economic performance.

For example, rates of attainment relating to Key Stage 3 at 14, GCSE at 15 and level 2 and level 3 at 19 outstripped regional and national trends in Solihull in 2008 but continued to lag behind in Birmingham. Similarly while Solihull had the highest proportion of working age adults qualified to level 4 and above and level 3 and above in the West Midlands in 2008, performance in Birmingham still lagged significantly behind. Nearly 120,000 working age adults in the City (more than 20%) had no formal qualifications.

Furthermore, the gap in qualification and skills attainment between better and poorer performing areas is widening year on year. These trends reflect a number of inter-related factors. There are significant numbers of NEET young people entering the available for work population in poorer performing areas while in some cases people with better skills and qualifications are migrating out to other areas. This leaves a core population of poorly skilled and disadvantaged, concentrated in a number of specific wards and neighbourhoods, which are falling further and further behind. In turn, poor qualification and skills attainment alongside issues such as poor health, child poverty, limited access to services and a lack of mobility is contributing to high rates of unemployment and worklessness in many parts of the sub-region. While 10% of the working age population in Solihull were claiming out of work benefits in 2008, well below the regional average of 13%, the rate was some 18% in Birmingham - the third highest of all West Midlands local authorities.

While across the region the workforce profile is ageing, it is becoming younger and more ethnically diverse in many urban areas. This is particularly the case in Birmingham, where well over 40% of the working age population were aged 16-34 in 2008 and nearly 30% were from a minority ethnic group. In contrast, the working age population in Solihull is ageing with more than 30% aged over 50. However, the skills issues and problems highlighted above mean that while a high proportion of Solihull's working age residents were in paid employment (74%) the figure in Birmingham (61%) was 11 percentage points below the regional average and the lowest of all the local authorities. In Birmingham only 56% of 16-34 year olds and 46% of those from minority ethnic groups were in employment and there is the risk of a lost generation of people disengaged from the labour market and from education and training.

5 Skills and the recession

The recession has placed many of these issues in sharper focus. Although this has impacted on groups not previously affected to any significant extent such as managers and professionals, unemployment has risen particularly steeply among those with fewest skills and qualifications. Not surprisingly there has been a significant increase in unemployed people with previous experience in sectors and occupations hard hit by the recession. At the same time, however, numbers of people becoming unemployed in sectors and occupations where job vacancies have continued to rise (for example, in health & social care) have also increased, and there is a need to match unemployed people to available vacancies more effectively. Encouragingly the Future Jobs Fund launched across the City Region to tackle these issues has been acknowledged to be one of the most successful in the country. The City Region Multi Area Agreement on employment and skills, moreover, can help support a sustainable recovery.

6 Future prospects

While there are tentative signs of an upturn in the labour market, with more firms looking to recruit new staff and invest in training, the economic recovery is expected to be weak, protracted and be characterised by significant 'jobless growth'. The sub-region's headline GVA is not expected to begin to rise until 2010 and an upturn in employment is not expected until 2012². We are faced with these challenges, moreover, at a time when public investment in skills is likely to be reduced and re-prioritised.

7 Focusing skills investment to support recovery

If we are to boost the pace and strength of the sub-region's recovery there is a need to focus this investment in areas where it will make the most impact. To develop the sub-region's knowledge economy and stimulate more demand for higher level skills there is a need to support the high value added sectors and clusters gaining a foothold in the area already highlighted in section 4.1. At the same time there is a need to promote up-skilling and diversification into higher value added products, services and markets in other sectors and clusters that account for a significant proportion of GVA and employment in the sub-region (although it should be borne in mind that levels of activity and jobs in health & social care, public administration and education are likely to fall in the coming years as public expenditure is reduced).

² These forecasts are based on the Observatory's Integrated Policy Model, which in turn is based on latest forecasts from Cambridge Econometrics. It should be noted, however, that they represent an indication of likely future trends and should be viewed with caution. For further details please contact Andy Phillips at the West Midlands Regional Observatory (E: andy.phillips@wmro.org T: 0121 202 3251)

8 Emerging skill needs

In particular the sub-region's businesses need support to help them exploit new technology, adapt to new legislation (notably relating to low carbon and sustainability issues), meet the demands of an ageing population and satisfy ever more demanding consumers. In turn, these trends are stimulating demand for a range of new and upgraded skills. In particular there will be a growing need for higher level technical skills specific to sectors, industries and individual businesses. For example:

- In ICT there is a growing need for leadership and relationship management, project and programme management skills, business intelligence, information analytics and architecture skills and for a range of specific software skills.
- In digital media there is a need for skills in developing and exploiting digital content for a range of markets including film, television, games, audio and music, education, health, training and business planning
- In business & professional services there is an increasing requirement for skilled paraprofessional staff such as legal executives and accounting technicians and for better developed generic skills in areas such as leadership & management, managing teams, making sales and managing relationships
- In health & social care there is a growing demand for literacy and numeracy, communication and interpersonal skills, IT skills and for expertise in information sharing, leading and working in multi-agency teams
- In education there is a need for professionals with specific technical and practical skills and for transferable and wider employability skills in areas such as ICT, customer service and leadership & management
- In tourism & leisure there is a growing demand for better leadership & management, good customer service skills and for chefs with a high level of technical skills
- In public administration there is a growing requirement for skills in leadership & management (notably in areas such as performance, finance, contracting and procurement, quality, and change management) ICT and awareness of race and diversity issues
- In the transport sector employers are looking for improved technical skills in areas such as legislation, health and safety, foreign languages, cost control and performance management and a range of generic skills in areas such as communication, customer service and team working
- In engineering there is an emerging need for graduates and highly skilled technicians and for management and leadership and high level organisational management skills.

Across all occupations there will be a growing requirement for ICT skills to exploit the potential of new technology and inter-personal skills such as communication and working in teams, problem solving and customer service.

9 Potential hot spots for growth

Geographically, there are a number of important sites that are expected to drive economic and employment growth and the demand for new skills. There are the impact Investment locations within the sub-region that have been identified by the Shadow Joint Strategy & Investment Board. These include New Street Station, Eastside, Longbridge in Birmingham, Birmingham International Airport and North Solihull. Within Birmingham the Science City project, which promotes collaboration and knowledge transfer between businesses and universities, is also expected to generate significant new job opportunities going forward. Within Birmingham the Science City project, which promotes collaboration and knowledge transfer between businesses and universities, is also expected to generate significant new job opportunities going forward. Other key growth locations include potential NEC developments, Birmingham and Blythe Valley Business Parks and Solihull Town Centre.