

Regional Skills Assessment 2009

Key headlines and conclusions for Sectors and Clusters



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 regions £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 Performance in the region's key sectors and clusters

3.1 Demand side issues

Encouragingly the region's overall skills performance has improved in recent years, closing the gap with England. This has been underpinned by an upturn in employer investment in skills, notably via programmes such as Train to Gain and Apprenticeships.

Nevertheless the region's 'output gap' with the UK continues to widen and to make an impact on economic performance and productivity 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 ICT, digital media, environmental technologies and medical technologies.

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 public sector services such as health & social care, public administration and education and private sector activities such as business & professional services, tourism & leisure, building technologies and transport.

There also key sectors in which, while declining in employment terms, there are still business and market opportunities in specific areas. These include engineering and transport technologies, food & drink and other manufacturing industries. Falling employment is partly due to rationalisation and business closures as activity has been transferred off-shore to lower cost economies such as India and China. However they are also a product of efforts to reduce overheads and drive up productivity and the need to exploit the benefits of new technology to boost value added and market share. This is particularly the case for the many companies based in the region operating in global markets

3.2 Supply side issues

If businesses are to acquire the skill sets they need to exploit market opportunities to the full investment in workforce training and up-skilling is essential. Across all sectors and clusters there will need to be a greater emphasis on higher level skills to exploit new technologies and new ways of working, driving up productivity and value added. However while overall there has been an upturn in employer investment in skills in recent years rates of qualification and skills attainment by employees varies widely by sector and cluster.

It is encouraging that some have already developed a highly skilled workforce. These include both emerging high value added clusters such as digital media, ICT, medical and environmental technologies and public sector activities growing significantly in employment terms such as health & social care public administration and education. However others have a much weaker skills profile with a significant proportion of staff with no formal qualifications. These include other sectors growing strongly in terms of employment such as tourism & leisure and transport and industries such as engineering, food & drink and other manufacturing which, while reducing workforce levels, are looking to boost value added and market share.

In many cases skill any gaps and problems are likely to be exacerbated in the future due to an ageing workforce. Significant numbers of staff will be retiring in the coming years making succession planning vital. Sectors such as engineering, food & drink, other manufacturing industries, public administration and education are particularly affected.

4 Skills and the recession

The impact of the recession has varied widely by sector and cluster:

Engineering and manufacturing, where there has been a significant contraction in employment and short time working and pay and recruitment freezes to avoid redundancies and retain skills, has been particularly affected by the recession. Construction and building technologies (notably within the house building, civil engineering and commercial sub-sectors), retail (particularly smaller independent outlets) and tourism & leisure have also been significantly affected.

However a number of other sectors and clusters have fared better. In business and professional services higher value financial services have been significantly affected but lower value added activities such as property, housing, facilities management and cleaning services have been relatively 'recession proof'. This has also been the case for agriculture, electricity, gas and water, ICT and public sector activities such as public administration, education and health & social care.

Indeed job vacancy levels continued to rise during the recession in education and health & social care. Persistent recruitment difficulties and skills shortages have been reported across a wide range of sectors and clusters - despite the significant rise in unemployment.

5 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 2012. The pace of recovery, however is expected to vary widely by sector and cluster:

In the private sector only retail and transport are forecast to see any immediate recovery in GVA or employment. While growth in the public sector is expected to be constrained by cuts in funding the health & social care sector is likely to continue to expand.

In the medium term (i.e. by 2014) growth is expected to resume in business & professional services and in key emerging high value added clusters such as ICT and environmental technologies. Growth in employment is expected to be limited, however, as businesses focus on maintaining and increasing productivity in a highly competitive market place.

In the longer term (i.e. by 2024) broader based growth is expected. This is likely again to be driven by business & professional services, ICT and environmental technologies, together with other emerging clusters such as building technologies. GVA is also forecast to grow in engineering and the transport technologies cluster, although employment levels are likely to continue to fall as businesses continue to focus on cutting overheads and exploiting new technology to drive up productivity and boost value added.

6 Focusing skills investment to support recovery

We are faced with these challenges, moreover, at a time when public investment in skills is likely to be reduced and re-prioritised. 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 high value added sectors linked to the New Industries, New Jobs agenda such as ICT, digital media, environmental technologies and medical technologies. While so far they only account for a limited share of employment and GVA they are in a position, providing that they have access to the right skills, to exploit a range of business and market opportunities. There is also an opportunity to exploit the considerable expertise and research capability available at universities based in and around the sub-region.

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 continue generate significant employment opportunities. These include private sector activities such as business & professional services, building technologies, tourism & leisure and transport and public sector activities such as health & social care, public administration and education (albeit with reduced employment levels as public spending is reduced). There is a need to provide similar support to businesses in engineering and transport technologies, food & drink and other manufacturing industries where there are opportunities to exploit specific business and market opportunities.

7 Emerging skill needs

In particular the 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 environmental technologies employers are increasingly looking for scientific specialists, operational waste plant specialists, installation skills relating to renewable energy systems and appropriately skilled and qualified energy assessors. There is also a demand for more generic skills such as an ability to combine technical skills and commercial acumen, awareness of environmental technology development globally and a broad based understanding of sustainability issues
- In medical technologies there is a growing need for engineers with specialist expertise in new healthcare technology and for leadership and management skills
- 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 building technologies changing business practices are generating a demand for skilled and experienced managers and specialist professional staff
- 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 team
- 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 education there is 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 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 engineering there is an emerging need for graduates and highly skilled technicians and for management and leadership and high level organisational management skills
- In food & drink there is a growing demand for food technologists, chemists, microbiologists, engineers and fitters

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.

8 Potential hot spots for growth

Geographically one of the drivers of economic and employment growth and the demand for new skills will be the impact Investment locations within the sub-region that have been identified by the Shadow Joint Strategy & Investment Board¹. There is also likely to be a significant demand for labour and skills in locations that are acting as a focus for inward investment such as central Birmingham, Solihull, Coventry and Telford.

¹ These include New St Station, Eastside and Longbridge in Birmingham, Birmingham International Airport and North Solihull, Ansty Park in Coventry, Bilston, Dudley, West Bromwich, Walsall and Wolverhampton town centres in the Black Country, i54, Stafford town centre and Stoke city centre in Staffordshire, Edgar St Grid in Herefordshire and Telford town centre in Shropshire

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