

## Economic Growth Board

<b>Date</b>	Wednesday 12 <sup>th</sup> July 2023
<b>Report title</b>	Understanding and addressing labour market challenges: jobs workstream update
<b>Portfolio Lead</b>	Portfolio Holder for Economy and Innovation
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<b>Report has been considered by</b>	Directors of Economic Development (23 June 2023)

### The Economic Growth Board is asked to:

- i. Note this progress report on the jobs workstream, including its overview of regional and local labour market challenges emerging from the data, and our plans for further work as part of deep dive activities.

### 1. Purpose

1.1 Understanding and tackling labour market challenges is a priority for the WMCA and its LA partners. The Jobs workstream has been established to enable a deeper understanding of the labour market challenges by people and place, and to explore together how we might effectively address these issues using a “what works” solutions-led approach.

1.2 The objectives of the workstream are to:

- a. provide Economic Growth Board with greater insights into labour market challenges and opportunities, both across the CA and at local level;
- b. draw on findings from a range of experts regarding potential insights and policy solutions to help tackle specific labour market challenges; and
- c. propose and develop deeper dives into 2 or 3 totemic geographies and/or labour market issues.

1.3 This paper provides an update on the workstream’s progress and emerging topics.

### 2. Wider context

2.1 Despite challenging economic circumstances, the UK labour market remains tight. Nationally employment is back to pre-pandemic levels while unemployment remains low.

Vacancies have been falling month-on-month for around a year but remain above 1 million – likely reflecting employers’ ability to recruit more quickly rather than a weakening of demand. Regular pay has increased +7.5% over the year, though stubborn levels of inflation mean that real pay continues to fall.

- 2.2 Levels of economic inactivity are now beginning to fall, particularly among older adults, However, the number of people who are inactive because of long-term sickness have reached a record high of 2.55m, up by 440k since before the pandemic. We are also seeing an increase in young people who are NEET – now at just over 1 million (15%).
- 2.3 At a regional level, the latest monthly data for Feb-April 2023 show that the West Midlands also has rising employment, alongside falling unemployment and economic inactivity, as more people return to the labour market. The region still has the highest unemployment in the UK, though the rate remains historically low and no higher than pre-pandemic. The inactivity rate now has fallen below the UK average, as those closest to the labour market look for and find work. The picture continues to vary by gender. Over the last year, both unemployment and economic inactivity have increased among men but fallen among women.

### 3. A partnered approach

- 3.1 It is important that this workstream adds value and contributes insights at a local level, as well as CA wide. Through partnering with LA partners, we are developing a shared narrative of the precise labour market challenges. We are discussing with partners how the analysis arising from this workstream can complement local insights. We previously asked EGB for volunteers to work with us on a sub-group, which includes nominees from Coventry, Birmingham and Wolverhampton, to ensure the workstream developments are both reflective of local intelligence but also draw on the evidence that partners will have which will enhance our understanding of the labour market challenges, particularly at a local level.

### 4. Workstream update and emerging themes

- 4.1 We know that regional-level data can mask particular issues at a local level. We are therefore working with the EIU, and LA partners, to **get underneath the CA/region-level data to gain a better understanding of the local labour markets**. We have shared the working document from the EIU which sets out the analysis to date (**Annex A**). The accompanying data, which is presented in an excel file format, is available on request. Detailed summaries for each LA partner are included in the EIU document which we are exploring with partners to reflect on its analysis. EIU have also produced a Story Board for the region and incorporates LSOA level data where available for employment, unemployment and economic inactivity. This is available at: [Jobs and Labour Market in the WMCA \(arcgis.com\)](https://arcgis.com).
- 4.2 From the data there are a small number of themes emerging. For example, despite a fall in overall economic inactivity at the CA level, there has been a **marked increase in inactivity due to long term ill health**, up 14.8pp across the CA area in the last year, and by 29.3pp since 2019 (or +31,400 more people). At a local level, we can see this issue is particularly pronounced in Sandwell, Wolverhampton, and Coventry. Where adults have said they are inactive due to long term ill health, one in three has reported ‘Depression, Learning Problems, Mental Problems and Nervous Disorders’ as a barrier to work, a shared concern

for young people too, and which may be the effects of the pandemic on general health and wellbeing.

- 4.3 The number of residents who have **work limiting disability is also high**. At CA level it is 5.7pp above the UK average (and rising, up by 21.8pp (or +59,700 people) since 2020). At a local level, we can see it in almost every LA, with the highest proportions in Sandwell, Birmingham, and Walsall, and hot spots in Solihull and Coventry. We are looking to understand the differences by demographic groups further but see that for people with a disability, they are 2.5 times more likely to be out of work than a person without a disability. Indicators suggest this inequality is widening, with people with a disability accounting for nearly half of all of those who are economically inactive.
- 4.4 Although unemployment is historically low, the West Midlands **continue to have the highest unemployment rate in the UK** (4.8%). All seven LAs sit above the UK average for unemployment, with the highest proportions reported in Walsall, Wolverhampton, Birmingham and Sandwell. Unemployment in both Walsall and Wolverhampton is over twice the national average. Analysis shows that for the CA area **to match the national average, we would need an additional 116,182 more people to move into employment**.
- 4.5 Within the CA area, are high proportions of residents who have never worked – from the recent census, of the 1,095,001 usual residents aged 16 years and over in the region, **35.5% (388,909 residents) have never worked**, much higher than the national average (up 10.0pp). This issue is presented in almost all our LAs, with the exception of Dudley and Solihull who have the lowest reported proportions (25.6% and 22.6% respectively). The highest proportions were in Birmingham (at 41.6% or 186,119), followed closely by Sandwell and Wolverhampton.
- 4.6 We have a **growing youth employment problem**, with high numbers of claimants for 18-24, nearly double the UK rate at 8.1% in the CA. Compared to March 2020, almost every LA area has had an increase, except Solihull where it fell. Across the CA area Birmingham, Walsall, and Dudley have each recorded above national rate trends, but it is particularly pronounced in Wolverhampton with the second highest rates of youth claimants nationally for the last year (behind Blackpool), and the highest in the CA area. Economic inactivity for young people is similarly high, with hot spots in Coventry, Dudley, and Sandwell, where there is also a high number of youth claimants looking for work. Again, the issue is particularly heightened in Wolverhampton with inactivity amongst its 50-64 and 16-24 age groups accounting for half of all those inactive. And we have high NEET levels within the CA region (0.8pp above the national average). We know that the City of Wolverhampton Council has undertaken detailed analysis effecting its young residents and we will work with them to explore an offer that will support youth transition to the labour market, which can be used to support LAs within the CA area.
- 4.7 To better understand how our employment and skills investment is helping tackle labour market challenges at a local level, we have worked with Birmingham City Council to commission a review of adult skills provision and employment services across Birmingham, and are now exploring how the methodology used could be applied across **each LA** to extend our analysis of local summaries and understanding of different labour market challenges.

## 5. Next Steps

5.1 Building on the data analysis undertaken by EIU and the research being undertaken with BCC, we will now seek to focus on 2-3 key challenges facing the region and local areas – drawing on evidence of what works in tackling these labour market challenges – in order to inform subsequent deep dive activity. At this point, we anticipate a focus on youth unemployment and on tackling economic inactivity/worklessness.

## **6. Financial Implications**

6.1 There are no direct financial implications arising from this report.

6.2 Any future requirement for WMCA funding in this area, like the deep dive work, will need to be either from existing budgets or be requested through internal governance routes.

## **7. Legal Implications**

7.1 There are no immediate legal implications arising from this report.

## **8. Equalities Implications**

8.1 There are no immediate equalities implications arising from this report however the workstream findings and data has started to identify groups (by sex, by ethnicity and by disability) who experience labour market inequality.

## **9. Inclusive Growth Implications**

9.1 There are no immediate inclusive growth implications arising from this report. However inclusive economic growth is an intended focus of the workstream, ensuring that evidence-based action is taken to improve employment opportunities within the region, and to ensure that residents are well placed to take up these opportunities. Accordingly, the workstream should identify where there are barriers by people and place within the region to help inform the CA's strategic activity.

## **10. Geographical Area of Report's Implications**

10.1 The focus of the workstream is on the 7Met area. Some labour market data relates to the wider geography.

## **11. Other implications**

11.1 None.