

WMCA Board

Date	5 June 2020
Report title	Economic Recovery - Emerging Employment and Skills Proposals Adult Education Budget 2019/20 and 2020/21
Portfolio Lead	Skills & Productivity - Councillor George Duggins
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Report has been considered by	Local Authority and LEP Employment and Skills Officers

Recommendation(s) for action or decision:

WMCA Board is recommended to:

- (1) Note the ongoing work, across WMCA, Local Authorities, and LEPs, to develop clear proposals for enhanced employment and skills activities to support local and regional recovery plans.
- (2) Delegate authority to develop proposals and businesses cases, as part of the wider regional recovery work, to the Director of Productivity and Skills, in consultation with the Portfolio Lead and the WMCA Director of Finance and Monitoring Officer.
- (3) Note that in view of the need to move at pace and in line with delegated authority, a further progress report will be brought at the appropriate time to inform Board of activity.

1. Purpose

- 1.1. This paper provides early sight of emerging proposals on employment and skills related activities, to support and enhance existing local and regional recovery activities. Proposals have been developed with Local Authority and LEP officers, and set out where further activity and resource is needed, to build on existing infrastructure. Critically, the proposals begin to articulate our ask of government – in particular, the Department for Work and Pensions (DWP) and the Department for Education (DfE) – where we are keen that any new funding or resources complement existing local offers and respond to clear local needs.
- 1.2. The work is being overseen by Councillor Duggins, the Portfolio Lead for Productivity and Skills. Proposals for Young People will also be shared with Cllr Brookfield, Chair of the Youth Unemployment Taskforce (and Portfolio lead for Economy and Innovation), and Cllr Jones, Portfolio Lead for Inclusive Communities.

2. Context - The social and economic impact of Covid-19 in the West Midlands

- 2.1. Nationally and regionally, the number of people claiming unemployment benefits in April 2020 has increased exponentially and is now at the highest level seen in recent years. (Details set out in Annex A.) The West Midlands is predicted to be one of the hardest hit economies, reflecting the region's high dependency on the automotive and education sectors.
- 2.2. The labour market which emerges from this crisis will likely be the toughest for generations, with the current hibernation of thousands of businesses potentially followed by a longer period where companies are reluctant to return to their pre-crisis recruitment and training behaviour. The characteristics of our unemployed cohort may well look different to pre-crisis, with a much higher number who have medium- and high-skills and a track record of employment in sectors which may have shrunk significantly.
- 2.3. At the same time, rising unemployment is expected to impact most adversely on groups already at a disadvantage in the labour market – including young people, people from black and minority ethnic communities, and those lacking qualifications.
- 2.4. The West Midlands has a younger than average population, and an already high youth unemployment count, lower than average levels of qualifications, and a higher proportion of residents from BME communities. As such, our region is further exposed to the social, economic and health impacts of rising and sustained unemployment.
- 2.5. Any new support will need to deliver what the economy needs and be targeted at those who will be hardest hit. It should give those without work the ability to maintain their work readiness and gain new skills to get a better job and help to deliver a workforce for the future high-skilled economy.

3. Response to Date

3.1. West Midlands partners – including WMCA, LAs, LEPs, JobCentre Plus and the FE sector – have been working collaboratively, to respond to immediate needs. This has included:

- Introducing a Rapid Recruitment Response, with local authorities and training providers, to share information on vacancies and promote opportunities to individuals looking for work.
- Flexing local training to meet immediate skills and recruitment needs – for example, in health care and warehousing – to move people into jobs.
- Moving training provision online, supporting existing students and reaching out to new students.
- Establishing a Youth Unemployment Taskforce, led by Cllr Brookfield, to identify and respond to the needs of young people.

4. Emerging employment and skills proposals

4.1. Work is underway across the region, drawing on the expertise of LA and LEP Employment and Skills officers, as well as the views of employers, voluntary sector, TUC and the FE sector. This report provides an update on the work and invites members of the Board to comment and/or feed in further views.

4.2. Proposals also build on the West Midlands Employment Support Framework, which was developed with local partners and practitioners, and which sets out the key features of good employment support. The Framework focuses on how best to enhance and complement existing local activity – for example, Wolves at Work, Walsall Works, Coventry Job Shop etc. - by aligning with other training and employment activity (for example, through the Adult Education Budget (AEB)) and working jointly with JobCentre Plus, the voluntary sector and local and regional employers. Our intention is to have a shared view of priorities, to avoid duplication and ensure we meet the needs of those who are newly unemployed as well as those who have longer-term issues. Given the scale of the challenge ahead, the need to align resources will be critical.

4.3. The proposals are also intended to inform and influence DfE and DWP thinking where, again, we are keen to align all national, regional and local funding so that we have a more comprehensive offer, that maximises all available resources, avoids gaps in and/or duplication of activity, and tries to ensure that no one gets left behind.

4.4. There are three broad groupings of proposals:

- Supporting Young People (16-29)
- Getting the West Midlands Back to Work
- Future Skills, Future Jobs

4.5. **Supporting Young People (aged 16-29)**

Issues

- 4.5.1. We know that young people will be hardest hit as a result of the crisis. Many have had their education disrupted and may already be disengaged from learning. The number of entry level jobs, apprenticeships and graduate jobs will reduce dramatically meaning far fewer opportunities open to young people.
- 4.5.2. Those leaving education will have less work experience and will enter a jobs market with high unemployment and few vacancies. Leaving education during a recession can have a large and long-lasting effect on employment and earnings. Low attainers are worst affected, but graduates suffer too.
- 4.5.3. The region already suffers from above average youth unemployment. There is a risk that the young unemployed will be even further disadvantaged, particularly those from BME communities, with low skills, and with mental health issues. New interventions are needed to help them 'wait out' the worst of the labour market crisis and so avoid the scarring effects of becoming long-term unemployed.

Proposals

- 4.5.4. **Tracking and engaging all young people at risk** - it will be critically important to engage all young people who have left education and are at risk of dropping out. This will build on existing local activity, and *will require additional government resource to enable us to reach out and engage with young people at risk. In addition, we will also seek to develop a regional clearing system to link young people more effectively to local opportunities.*
- 4.5.5. Current careers programmes do not focus on those young people who are not in education, employment or training (NEET). *We are seeking greater influence over national careers programmes to enable us to target those at risk.*
- 4.5.6. **Young people will require a new suite of courses to support their long-term education, training and careers needs** – this will include the ability to complete courses which were disrupted, more courses related to areas of labour market need and, given the expected reduction in apprenticeships, more work-related courses that provide young people with critical work-ready skills. Whilst we have the flexibility to develop and fund these for those aged 19+ (through the devolved AEB budget), *we need more flexible and work-related programmes for 16-18 year olds, including alternative provision for those whose apprenticeships are terminated.*
- 4.5.7. **Encourage and incentivise employers to take on young people** – it will be important to encourage and incentivise employers to take on young people, in to jobs and apprenticeships – *we are lobbying DfE for wage subsidies for employers taking on young people who are unemployed. This would build on the experience of similar local schemes.*

4.6. Getting the West Midlands Back to Work

Issues

- 4.6.1. Currently, employment and skills support is commissioned in silos, reflecting investment from a range of government departments (DWP, DFE, MHCLG, DCMS, HO etc). This leads to a fragmented regional and local offer, with duplication in some areas (eg lots of low-level training) but a lack of funding and focus in others (eg access to transport, child care). There is a risk that this will be exacerbated as government responds with a range of national programmes that don't accurately reflect existing support and/or local and regional needs.
- 4.6.2. There is a risk that those already out of work are further disadvantaged as services become more stretched and recently redundant candidates enter the jobs market, better able to compete for fewer opportunities.
- 4.6.3. As the labour market shifts, we will see new opportunities emerge, with the need for high level technical and technological skills. Currently, there is limited training available to support re-entry to technical roles, particularly at Level 3 and above. The West Midlands has successfully piloted the Digital and Construction Gateway Retraining schemes – with demand from employers and learners exceeding the funding available. In recent weeks, there has been a significant increase in demand for higher level digital skills training.
- 4.6.4. Support for those in work is limited. Career coaching, training and other employment support services are often restricted to daytime, face to face access and focused on those who are currently unemployed. We need more flexible provision to support those in vulnerable areas of the workforce, including those currently furloughed, at risk of further automation, or working in areas (hospitality, retail etc.) which are likely to be further impacted by Covid-19.

Proposals

- 4.6.5. **Accelerate employer-led training to retrain people quickly and get them back into work** - there will be a need to focus resource carefully and have a differentiated offer – supporting those who can return quickly (e.g. recently unemployed) and those who may require further support (long-term unemployed, low-skilled etc). *We will work with colleges and providers to refocus a proportion of AEB funding to develop and deliver more job-specific training. We are seeking increased levels of funding for AEB and additional National Retraining Funds to support higher level training. Similarly, we will lobby DWP for greater flexibility to allow more people on Universal Credit to access training and support.*

4.6.6. **Increase support and training for longer term unemployed** – We will use the West Midlands Employment Support Framework to align existing support across the WMCA, local authorities, jobcentres and other agencies to ensure that all residents can access the employment support they need. *Where there are gaps in provision – for example, in removing barrier to employment – we will lobby DWP and DfE for additional and complementary resource.*

4.7. **Future Skills, Future Jobs**

Issues

4.7.1. We know that the region's employment structure is likely to change as a result of Covid-19. Some industries will flourish, whilst others decline. There will be a shift in the occupational mix, with many predicting an increasing need for digital skills. The continued adoption of technology and increasing use of artificial intelligence along with new and emerging green technologies will provide good employment opportunities for residents.

4.7.2. The West Midlands has above average levels of low-skilled low-paid workers – with many employees struggling to access training and support. Previous national skills policies have reduced the levels of adult learning ('night school') which has made it harder for West Midlands workers to access training that will help them develop their careers and earnings potential.

4.7.3. There has been a lack of accessible training provision in key growth areas. For example, in 2017/18, less than 1% of the region's adult education budget was spent on digital training, with critical gaps in cyber security, informatics and software development.

Proposals

4.7.4. **Expand the West Midlands Digital Retraining Scheme** – the West Midlands has successfully piloted a digital retraining scheme, which deployed £5m of National Retraining Funds to upskill employees and unemployed in higher level digital skills. This programme was committed quickly – with demand (from employers and learners) exceeding funding. *We are lobbying DfE for further funding to enable us to expand the digital offer further.*

4.7.5. **Expand retraining schemes to other key regional sectors** - *In addition, we are calling on DfE to extend this pilot to support other critical regional sectors – for example, advanced manufacturing, low carbon etc.*

5. **Financial Implications**

5.1. All proposals will be subject to detailed business cases which will be developed in conjunction with the appropriate Finance Directors.

6. Legal and Governance Implications

- 6.1. The Combined Authority already has devolved powers in relation to Adult Education and control of the AEB budget. The Authority may rely on those powers to implement many of the proposals in this report and the Director of Productivity and Skills has delegated powers to manage that budget.
- 6.2. Time is of the essence in responding to this crisis, particularly where urgent interventions are needed to mitigate the risks of young people and others experiencing the impact of the current jobs market without support. Some of the proposals outlined in this report may involve additional activities or programmes for the Combined Authority and delegated authority is sought for the Director of Productivity and Skills to progress initiatives and proposals in consultation with the Portfolio Lead and with the advice of the Director of Finance and the Monitoring Officer. Where proposals result in new programmes and responsibilities or alter the exposure of the Authority to risk, the Director will report back to the Combined Authority Board on progress at the appropriate time.
- 6.3. Any changes in the statutory functions of the Authority would be subject to the provisions set out in the Constitution and the consent of all Members of the Authority. New provision may require open and competitive tendering to award funds and this will be undertaken whilst seeking to ensure that any delays due to necessary processes are minimised.

7. Equalities Implications

- 7.1. Proposals will be reflected in the WMCA Equalities Scheme.

8. Geographical Area of Report's Implications

- 8.1 Proposals are being developed for consideration across the wider West Midlands geography although, where these are reliant on devolved AEB funding, they will be restricted to the constituent areas only.

Annex A Update on Unemployment Statistics, May 2020

Summary

- Nationally, the number of people claiming unemployment benefits, in April 2020, has increased by 66.9% and is at its highest level in 24 years.
- The WMCA (3 LEP) area has seen a lower increase of (45.9%), an increase of 53,950 claimants since March 2020, as levels have spiked in more affluent areas, including those unused to high unemployment. This is the lowest increase of all regions.
- The number of vacancies in the job market has slumped – with hospitality job openings dropping the most.
- The data just covers the first few weeks of the pandemic. Similarly, furloughing is protecting approximately 8 million workers - so the picture will get worse as the overall impact on employment levels becomes more evident.
- Young people and people from black and minority ethnic communities are more likely to be unemployed, and at further disadvantage in the labour market.
- Work is underway – across WMCA, LAs, LEPS, JCP and FE – to provide targeted support to the unemployed and develop agile responses to new training and employment needs.

National employment statistics:

- The UK employment rate in the three months to March 2020 was estimated at a joint-record high of 76.6%, 0.6 percentage points higher than a year earlier and 0.2 percentage points up on the previous quarter.
- However, between March and April there was a 66.9% increase in claimant count data, reflecting 846,740 new claims, and taking the total of claimants to 2.1 million. This is the highest level since July 1996 when Britain was still recovering from a deep recession.
- Furloughing support is still helping 8 million workers (approximately 1 in 4 of all employees).
- There were an estimated 637,000 vacancies between February to April 2020 - 170,000 fewer than the previous quarter and 210,000 fewer than a year earlier. This is the largest quarterly decrease to the vacancies total since the current time series started in 2001, eclipsing the decrease of 106,000 vacancies in the three months to January 2009.
- A recent IFS study also found that
 - Ethnic minorities are more economically vulnerable to the current crisis than white ethnic groups.
 - Men from minority groups are more likely to be affected by the shutdown – for example, Bangladeshi men are four times as likely as white British men to have jobs in shut-down industries. Similarly, black African and black Caribbean men are both 50% more likely than white British men to be in shut-down sectors.
- In Class of 2020, the Resolution Foundation reports that young people are more likely to be adversely impacted than other age group. They indicate that around 800,000 18-24-year-olds are expected to leave education this year, with two-thirds at risk of becoming unemployed.

- Furthermore, Class of 2020 finds that those leaving education this year are likely to face reduced pay and employment prospects even after the economy has recovered.

Regional position:

- The total claimant count in the West Midlands (3 LEP) area now stands at 171,540, having increased by 53,950. This corresponds to an increase of 45.9%, compared to a UK-wide increase of 66.9%.
- The greatest increase was seen in the Coventry and Warwickshire LEP area (65.6%), with lower increases seen in the Black Country (43.9%) and Greater Birmingham and Solihull (42.2%).
- Across the West Midlands, the number of claimants as percentage of residents aged 16 years and over is 5.2% in April 2020 compared to 3.9% for the UK. In terms of youth (16-24) claimants, the figures are 6.6% and 5.4% respectively.