

Economic Growth Board

Date	15 th February 2023
Report Title	Understanding and addressing labour market challenges
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Report has been considered by	Directors of Economic Development

Recommendations for action or decision:

The Economic Growth Board is asked to:

- a) Consider and reflect on the labour market challenges facing the West Midlands 7 Met area.
- b) Discuss and agree an approach to deepening our collective understanding of these challenges, including for particular places and groups of residents, and to identifying effective approaches to tackling them.

1 Purpose

- 1.1 This paper provides an overview of the labour market challenges facing the 7 Met area and sets out a proposed approach, that can value to existing local activity in developing a deeper understanding of these challenges and how we might work together to address them.

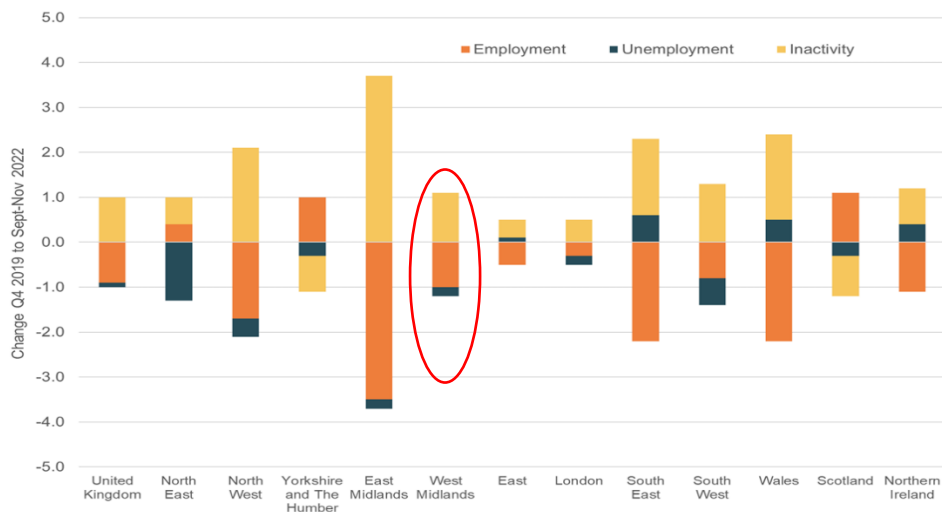
2 Labour market context

- 2.1 Despite difficult economic circumstances, the UK labour market remains tight, though with some signs of cooling. While employment levels have not recovered to pre-pandemic levels, unemployment is rising only slowly and remains close to record lows. Rising economic inactivity is of greater concern, primarily driven by those aged 50+ and people

with long-term health conditions. There is evidence that unmet demand for labour is holding back growth and could be fuelling inflation.

- 2.2 Across the West Midlands region, employment (74.5%) is lower than the UK average (75.6%) and falling. Unemployment (4.3%) is lower than pre-pandemic levels but higher than many other parts of the UK (3.7%). Economic inactivity (22.0%) is higher than the UK average (21.5%) and rising.
- 2.3 However, these overall rates mask significant differences by demographic characteristics. For example, while women generally have a less favourable labour market position than men, over the last year we have seen unemployment and inactivity rates increase among men – particularly 18–24-year-olds – but fall among women. There is considerable spatial variation too, with the claimant rate ranging from 3.1% in Solihull to 8.4% in Birmingham and 7.6% in Coventry. Similarly, the youth claimant rate ranges from 3.8% in Coventry to 10.3% in Wolverhampton. Further analysis undertaken by Local Authorities, by the CA and by DWP reveals even greater variation within local authorities than between them, with persistent pockets of high unemployment and inactivity found in particular wards and for particular communities.
- 2.4 Though vacancy rates across the region have now started to fall, they remain high (c.92k), with growing evidence of labour market shortages in many lower paid roles, predominantly undertaken by women. Despite strong pay growth across the region, high inflation means that nearly all workers have experienced a real-terms pay cut.
- 2.5 Across the 7 Met area, there are an estimated 484k economically inactive adults aged 16-64, of which 30% are students, 26% have either a short- or long-term health conditions, 26% are looking after family/home and 6.7% are retired. Just under one in five (18.1%) on those currently inactive say that they do want a job, with a much greater number saying that that they would like to work at some point in the future. Since 2019, we have seen a sharp rise in long-term sickness, with 1 in 10 residents in parts of Birmingham and Walsall now inactive for this reason.
- 2.6 As illustrated by the chart below, the West Midlands is not unique in seeing significant change in economic activity since the beginning of the pandemic, however the nature and scale of change seen in recent years has varied by region.

Changes in economic activity by region, Dec19-Nov22



- 2.7 Taking a longer-term view – over the last 30 years – the West Midlands labour market has tended to underperform against the national average, with lower-than-average employment and higher unemployment. Over the last 15 years, levels of economic inactivity have also been slightly higher than the UK average. Furthermore, although the data is not as granular or timely, labour market statistics for the CA area, suggests that the 7 Met labour market underperforms the region more broadly.
- 2.8 In part, this poor performance reflects the lower-than-average qualifications profile of residents. 9.6% of WMCA residents have no qualifications, compared with 6.6% nationally. 36.9% are qualified to level 4+, compared with 43.6% nationally. While we have made good progress in raising the qualifications profile of residents since devolution of AEB in 2019, the CA are continuing to explore how we can further raise skills and qualification levels, how we can strengthen our offer to help unemployed and inactive adults into work, as how we can better support low-paid workers to progress and earn more.
- 2.9 However, these issues cannot be tackled solely through skills interventions. Labour market opportunities are predominantly influenced by the wider economic context. At present this is extremely challenging, including:
- Long-term trend of diminished GDP growth, with contraction in major parts of the economy including manufacturing, finance & insurance.
 - Lower than average levels of, and growth in, productivity.
 - Decline in regional business activity, linked to lower sales and subdued market confidence.
 - Below average business survival rate – with business deaths currently exceeding business births.
 - Decline in high growth firms and lower business demand for innovation.
- 2.10 There is growing evidence too of the impact of wider factors – such as physical and mental health, health and care services, childcare, transport, housing, quality and flexibility of work, cost of living etc – on whether and how residents are able to participate in the labour market.

3 Understanding and addressing labour market challenges

- 3.1 Improving the regional labour market – or indeed, preventing further relative decline – will therefore require a concerted and co-ordinated effort by all stakeholders both to improve employment opportunities within the region, and to ensure that residents are well placed to take up these opportunities.
- 3.2 To achieve this, the Mayor, the Combined Authority and Local Authority leaders and officers have an important leadership role to play in bringing together regional and national partners alongside labour market and economy experts to:
- Develop greater insight into labour market challenges and opportunities, both across the CA and at local level.
 - Gain a more detailed understanding of potential solutions to these challenges.
 - Identify existing resources and levers that can be used to address challenges and exploit opportunities.
 - Advocate on behalf of the region to secure further resource and flexibilities.
- 3.3 In order to add value to the work that is already being undertaken within Local Authorities, we are proposing that a Jobs Taskforce be established, comprising key regional stakeholders working collaboratively to develop and implement an actionable roadmap to addressing both immediate and longer-term labour market challenges. The Taskforce – which would include representatives from the CA, constituent Local Authorities, the health sector, key employers, employer representative bodies and Trades Unions – would be established for a time limited period of 9 months. However, it is anticipated that this would facilitate more effective partnership working beyond this.
- 3.4 The Task Force would agree a workplan, which we anticipate could include the following – see annex for further details:
- Commissioning in-depth analysis of labour market and economic data across the CA area, with a particular focus on developing our understanding the underperformance of the region and the localities within it.
 - Establishing an expert group of key research organisations and think tanks, to provide insight and policy solutions.
 - Deep dive focus into a small number of totemic geographies and/or labour market issues, identified by Task Force members.
- 3.5 This would result in an actionable workplan by the end of the 9 months. In addition, Taskforce member would work together – see annex for further details – to:
- Align wider activity and deploy existing levers within each member organisation, to address identified challenges.
 - Explore how actions can be embedded into other key strategies and programmes of work.
 - Lobby central government, as part of and in addition to TDD arrangements, to invest in the region and to trial interventions that will help address labour market challenges. Consider how to engage wider regional stakeholders, including employers, in this shared agenda – including through a focused programme of activity to improve the availability of ‘good work’ across the CA area.

- Develop and implement a communications strategy that demonstrates how anchor institutions are working to address labour market challenges, and the impact that this can have on the region's residents and businesses.

4 Financial Implications

4.1 tbc

5. Legal Implications

5.1 There are no immediate legal implications arising from this report

6. Equalities Implications

6.1 There are no immediate equalities implications arising from this report, however the work of the Jobs Task Force would seek to explore how we could better address labour market inequalities within the region.

7. Inclusive Growth Implications

7.1 Inclusive economic growth would be a key focus on the Jobs Task Force, ensuring that evidence-based action is taken improve employment opportunities within the region, and to ensure that residents are well placed to take up these opportunities.

8. Geographical Area of Report's Implications

8.1 The remit of the proposed Jobs Task Force would apply to the 7 Met area.

9. Other implications

9.1 None

Annex 1: Jobs Taskforce – suggested approach

1. In order to add value to the work that is already being undertaken within Local Authorities, we are proposing that a Jobs Taskforce be established, comprising key regional stakeholders working collaboratively to develop and implement an actionable roadmap to addressing both immediate and longer-term labour market challenges. The Taskforce – which would include representatives from the CA, constituent Local Authorities, the health sector, key employers, employer representative bodies and Trades Unions – would be established for a time limited period of 9 months. However, it is anticipated that this would facilitate more effective partnership working beyond this.
2. The Task Force would agree a workplan, which we anticipate could include the following:
 - 2.1 **Commissioning in-depth analysis of labour market and economic data across the CA area, with a particular focus on developing our understanding the underperformance of the region and the localities within it.** We anticipate that could be a result of a number of factors including the sectoral mix of the economy, quality of available jobs and the skills profile of residents. We also know that some groups, including young people and ethnic minorities can be disproportionately affected by economic shocks, as can areas with greater levels of deprivation and generational worklessness. The purpose of the analysis will be to develop greater understanding and insight into these contributory factors. It would seek to draw from and add value to the work already taking place within Local Authorities. The analysis would underpin the work of the Task Force and would also be published externally as a tool to engage other organisations in working together to address challenges, and to make the case for wider public and private sector investment/intervention.
 - 2.2 **Establishing an expert group of key research organisations and think tanks, to provide insight and policy solutions.** From their wider experience and research, the group would provide insight into the region’s labour market challenges and would work with regional stakeholders to develop and design practical evidence-based proposals for addressing these. We anticipate that the creation of an expert group would also have longer-term benefits in stimulating ongoing collaboration between them and regional stakeholders and on regional issues.
 - 2.3 **Deep dive focus into a small number (2-3?) of totemic geographies and/or labour market issues, identified by Task Force members,** for example raising labour market participation in East Birmingham or tackling youth unemployment in Wolverhampton. As it will not be possible to tackle the full range of labour market challenges within the region, the Task Force should identify 2-3 key issues to work on together. This will involve detailed analysis of CA, LA and DWP data, alongside resident and local stakeholder engagement to develop further insight.
3. While the Task Force would aim to produce an actionable workplan by the end of the 9 months, it is critical that we don’t wait until this point before any action is taken. Throughout 2023, the Task Force should also:

- 3.1 **Identify how to align wider activity** (e.g. Wolverhampton Youth Unemployment Taskforce) **and deploy existing levers** (e.g. skills funds, UKSPF, CWG legacy) within each member organisation, to address identified challenges.
- 3.2 **Explore how actions can be embedded into other key strategies and programmes of work**, including the digital roadmap, WM2041, Plan for Growth etc. In doing so, we will be able to ensure that local residents are able to benefit from our wider ambitions, such as increased employment and economic growth in key clusters.
- 3.3 **Lobby central government**, as part of and in addition to TDD arrangements, to invest in the region and to trial interventions that will help address labour market challenges experienced both in the regional and nationally. As set out in our TDD discussions, this could include interventions in relation to:
- Increasing availability and accessibility of childcare services.
 - Providing health-related employment support.
 - Delivering specialist services and support for older adults to return to the labour market.
 - Developing pre-apprenticeship provision for young people.
- 3.4 **Consider how to engage wider regional stakeholders, including employers**, in this shared agenda – including through a focused programme of activity to improve the availability of ‘good work’ across the CA area. This should include public sector leadership through its own recruitment and procurement activity, as well as working with key private sector employers to explore job design and flexibilities in working practices. There is growing evidence that the tight labour market is making employers more open to exploring this.
- 3.5 **Develop and implement a communications strategy** that demonstrates how anchor institutions are working to address labour market challenges, and the impact that this can have on the region’s residents and businesses