Greater Birmingham Chambers of Commerce

Birmingham Economic Review 2017

Chapter 7: Skills & Labour Market

UNIVERSITY OF BIRMINGHAM | BIRMINGHAM BUSINESS SCHOOL

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Introduction

The Birmingham Economic Review 2017 is produced by the University of Birmingham's City-REDI and the Greater Birmingham Chambers of Commerce, with contributions from the West Midlands Growth Company. It is an in-depth exploration of the economy of England's second city and is a high quality resource for organisations seeking to understand the city to inform research, policy or investment decisions.

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All Chapters of the *Birmingham Economic Review 2017* can be found online on the Greater Birmingham Chambers of Commerce website: www.greaterbirminghamchambers.com or via the contact details at the end of this document.

Skills & Labour Market

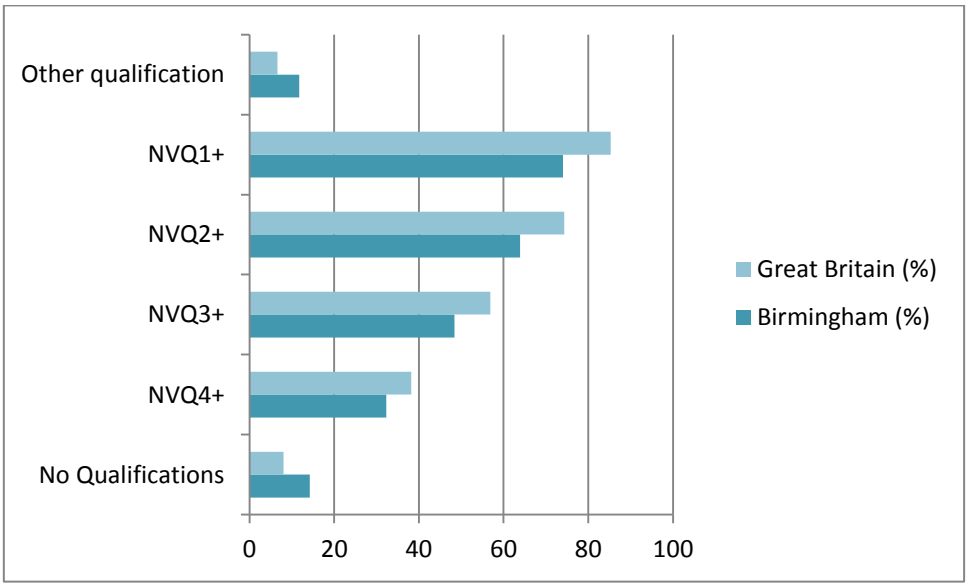
The skill levels of the resident population have a strong bearing on both the prosperity of the workforce and the competitiveness, productivity and performance of the Birmingham economy. With the current trend of more jobs in professional and technical occupations, the ability to take part and compete in the labour market is increasingly dependent on skill levels and qualifications attained. The skills profile of the city's residents has been a cause of concern for some time, with Birmingham residents less likely to have high level qualifications and more likely to have low or no qualifications than residents of other major cities and the UK overall.

Table 16: Qualifications, 2016

	No Qualifications	NVQ4 +	NVQ3 +	NVQ2 +	NVQ1 +	Other qualification
Birmingham (%)	14.2	32.3	48.4	63.9	74	11.7
Great Britain (%)	8	38.2	56.9	74.3	85.3	6.6

Source: ONS, Annual Population Survey

Chart 14: Qualifications, 2016



Source: ONS, Annual Population Survey

The 2016 Annual Population Survey, illustrated in Chart 14, shows that 32.3% of Birmingham's working age residents have a degree or higher level qualification – this is below the national average (38.2%). There has, however, been a small increase in the proportion of residents in the city with degrees since 2005 and this rate is growing.

When looking at a broader measure of a skilled workforce, using the proportion qualified to NVQ3 and above (often used as definition of a 'world class' workforce), Birmingham underperforms the UK. Only 48.4% of the workforce are educated to this level, compared to 56.9% nationally.

A similar picture also exists at the other end of the skills spectrum. Birmingham has a high proportion of its working age population with no formal qualifications (14.2%). This proportion is significantly above the nation as a whole (8.0%), although this percentage has reduced from 15.6% in 2015. This skill shortage is a contributing factor to Birmingham's low proportion of employed residents, and associated high claimant unemployment rate.

Birmingham has 5 universities – the University of Birmingham, Aston University, Birmingham City University, University College Birmingham and Newman University. The 5 institutions vary both in size and in the balance of postgraduates and undergraduates. The University of Birmingham is the largest of the city's universities with approximately 29,000 students - 70% of these are undergraduates and 30% are postgraduates.

Graduate retention is an important factor in improving the skill base of the resident population, and the high proportion of overseas students in the city may impact on this. In total, 40.4% of graduates from a Birmingham institution were working in the West Midlands 6 months after graduation. This figure is even higher for the University of Birmingham, with 48% of its students remaining in the region after graduating in 2014/15.

Qualifications Gap

The high proportion of Birmingham's working age population with no formal qualifications, its low proportion of employed residents, and its associated high claimant and unemployment rates raises concerns of a skills gap in the city. Calculating the supply of skills by NVQ level in Birmingham from ONS data (2004-2014) and using working age population forecasts (minus economically inactive) gives the absolute number of people with specific NVQ levels. Using Oxford Economics occupation demand (2016-2020) NVQ demand in the city can be assumed. NVQ supply and demand can then be compared.

Due to changes in employment and sectoral growth, the findings suggest that Birmingham currently needs 68,331 more residents with NVQ Level 4+ qualifications and 5,988 more residents with NVQ Level 3 + qualifications to fill current skills gaps. In 2016, the NVQ4 skills shortage was 70,938, compared with a shortage of 7,725 residents with NVQ3 qualifications. This decline over the past year indicates a relatively positive outlook, since the qualifications gap seems to follow a declining sectoral trend.

The city also has a shortage of residents qualified at NVQ2 and NVQ1 levels. Such a deficit in skills, particularly at NVQ Levels 2 and 1 significantly constrains Birmingham's growth potential. To create a high skills equilibrium and raise productivity levels, a special focus on increasing skills at NVQ Level 2 seems to be crucial.

Employment by Occupation and Ethnic Group

Looking at employment by occupational group according to the Standard Occupational Classification in Table 17 shows that 'Professional Occupations'

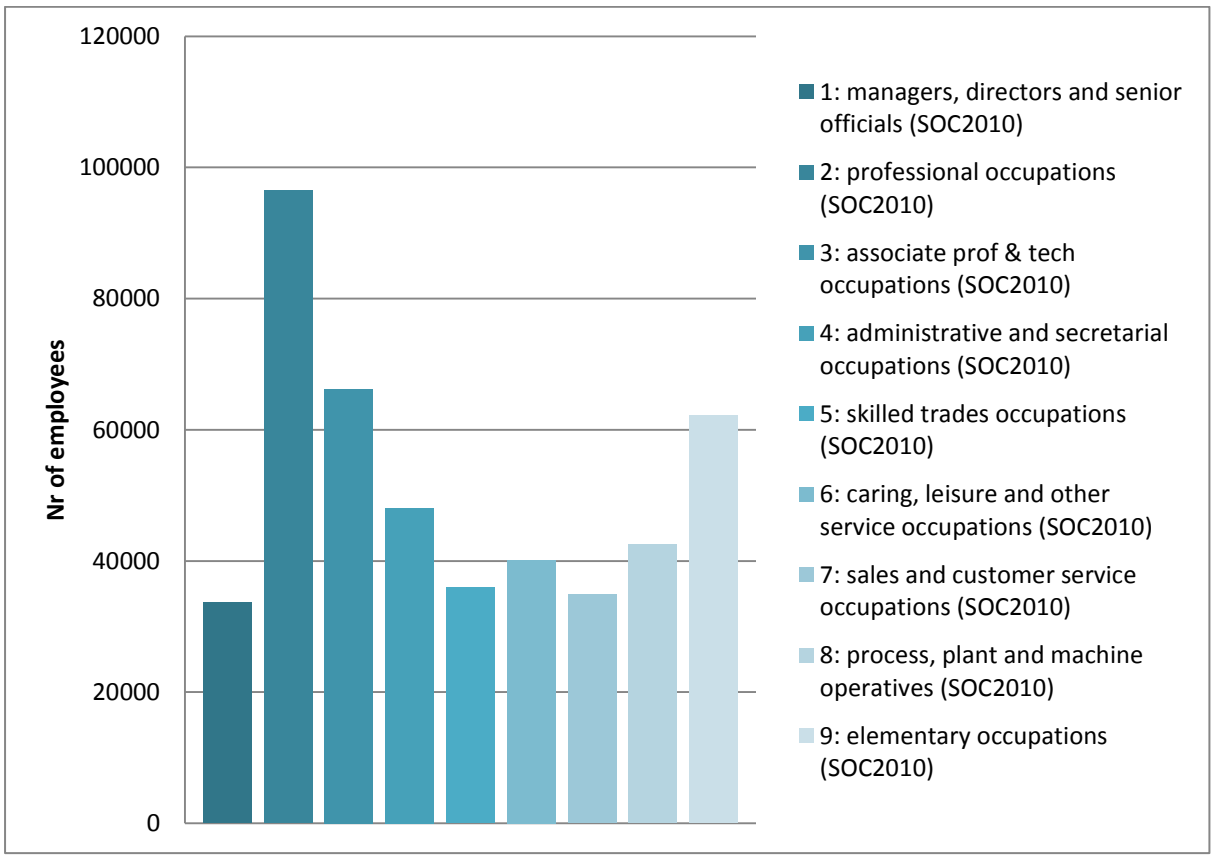
(20.9%) and 'Associate Professional and Technical' (14.3%) are the biggest employing occupational groups in 2016. These are highly skilled professions. However, also highly represented are Elementary Occupations (13.5%), which are low skilled roles, with the proportion of employment in this occupation increasing since 2014.

Table 17: Share of Employment by Occupation

SOC2010 Occupation/year	2012	2013	2014	2015	2016
1: managers, directors and senior officials	8.1	8.1	6	8	7.3
2: professional occupations	17.9	18.5	19.2	20.6	20.9
3: associate prof & tech occupations	11	9.7	12.7	13.8	14.3
4: administrative and secretarial occupations	12.2	11.7	10.9	9.6	10.4
5: skilled trades occupations	9.9	8.9	9.3	9.6	7.8
6: caring, leisure and other service occupations	9.7	9.7	10.6	10.2	8.7
7: sales and customer service occupations	7.7	8.1	8.9	7.3	7.6
8: process, plant and machine operatives	9.2	10.8	9	8.4	9.2
9: elementary occupations	11.8	13.6	12.4	12.2	13.5

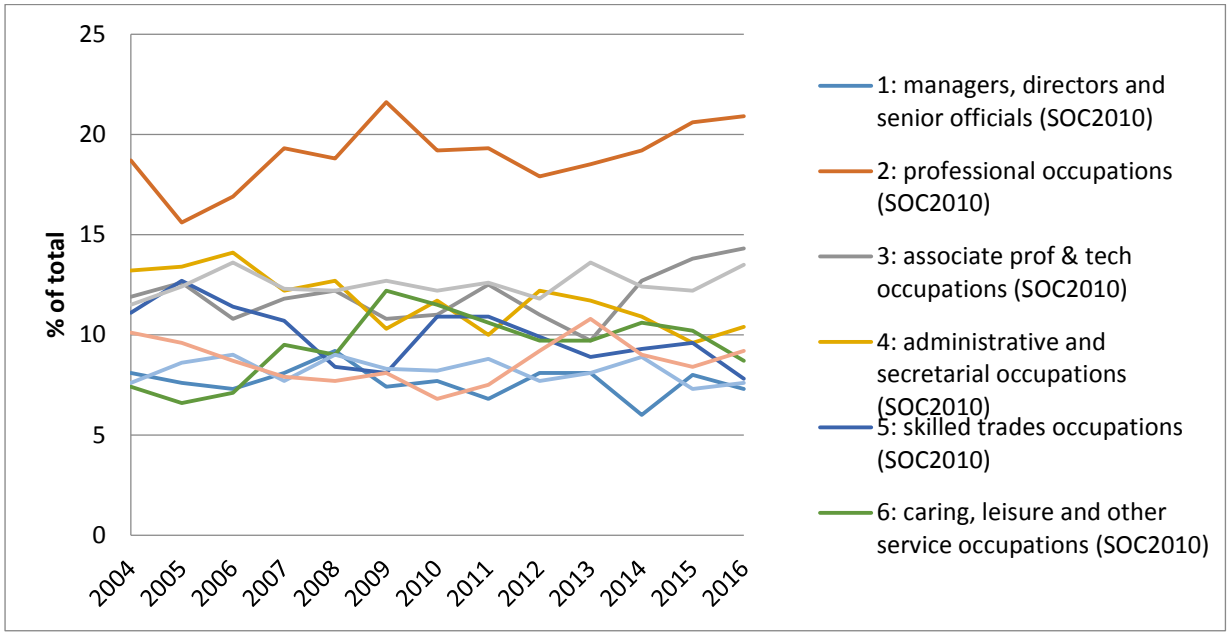
Source: ONS, Annual Population Survey

Chart 15: Employment by Occupation – 2016



Source: ONS, Annual Population Survey

Chart 16: Share of Employment by Occupation 2004-2016



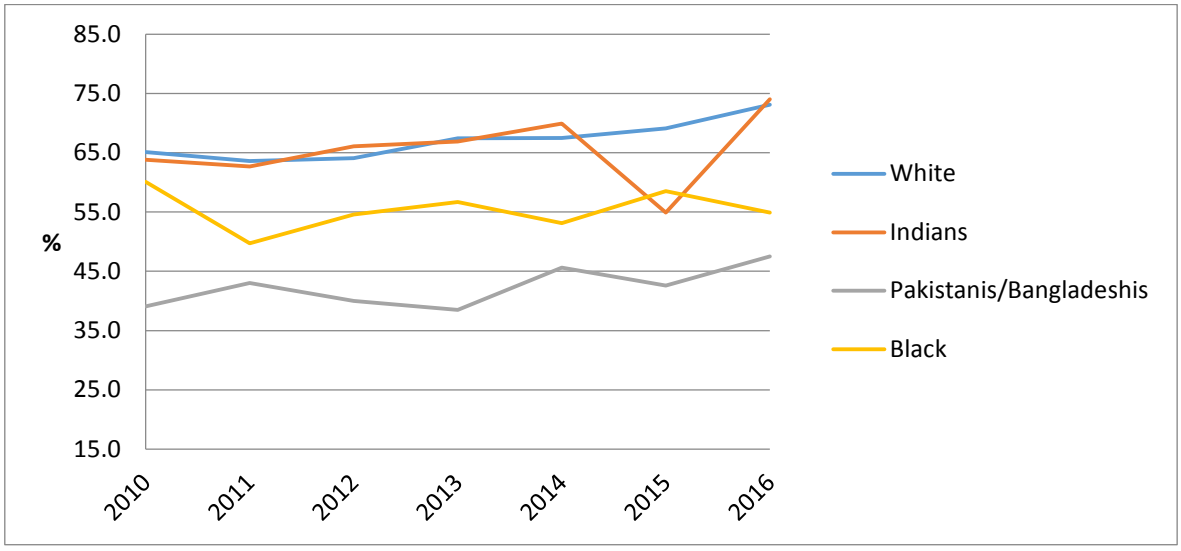
Source: ONS, Annual Population Survey

Birmingham's working age population is significantly more ethnically diverse than the country as a whole, and it is the most diverse of all the English core cities. The city is home to large, established communities from the Asian sub-continent and the Caribbean. However, more recent migration has been much more varied, with people arriving in the city from a much larger number of countries and with differing ethnicities, labour market status, immigration status, and often with little prior connection to the city. Indeed, EU migration has brought large numbers of migrants to the city, particularly from Poland and Romania. Together with the indigenous population these migrants have created the highly diverse population of Birmingham. This gives the city considerable economic challenges, but also some unique opportunities.

In the 2011 census, 238,313 of Birmingham's residents were born outside the UK. Of these, around 45% arrived during the last decade. The largest ethnic group in Birmingham was White British at 570,217 (53.1%). This is down from 2001 (65.6%) and lower than the average for England (79.8%). Other large groups include Pakistani (13.5%) and Indian (6.0%), which have grown since the 2001 census, while the proportion of people defining themselves as Black Caribbean (4.4%) has declined.

There are wide variations in the qualification levels of different ethnic groups in the city. Chart 17 shows that employment rates vary widely between groups, with the Indian group having the highest employment rate (74.0%) and the Pakistani/Bangladeshi group the lowest (47.5%). The percentage of Indians in employment has risen significantly for the period 2015-16 and once again the figure has overtaken the percentage for White.

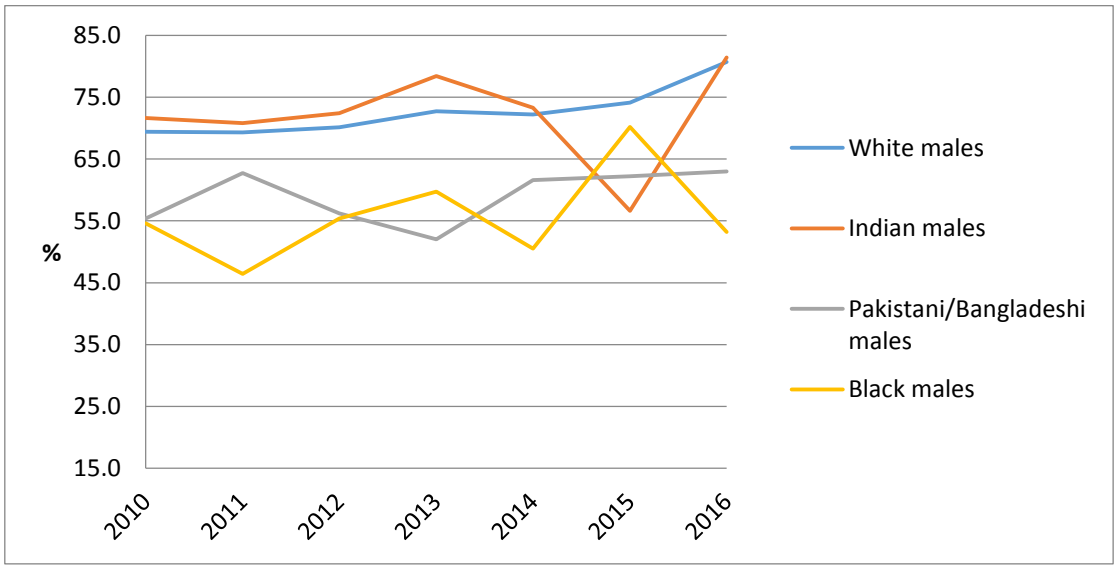
Chart 17: Employment Rate by Ethnic Group, Birmingham



Source: ONS, APS

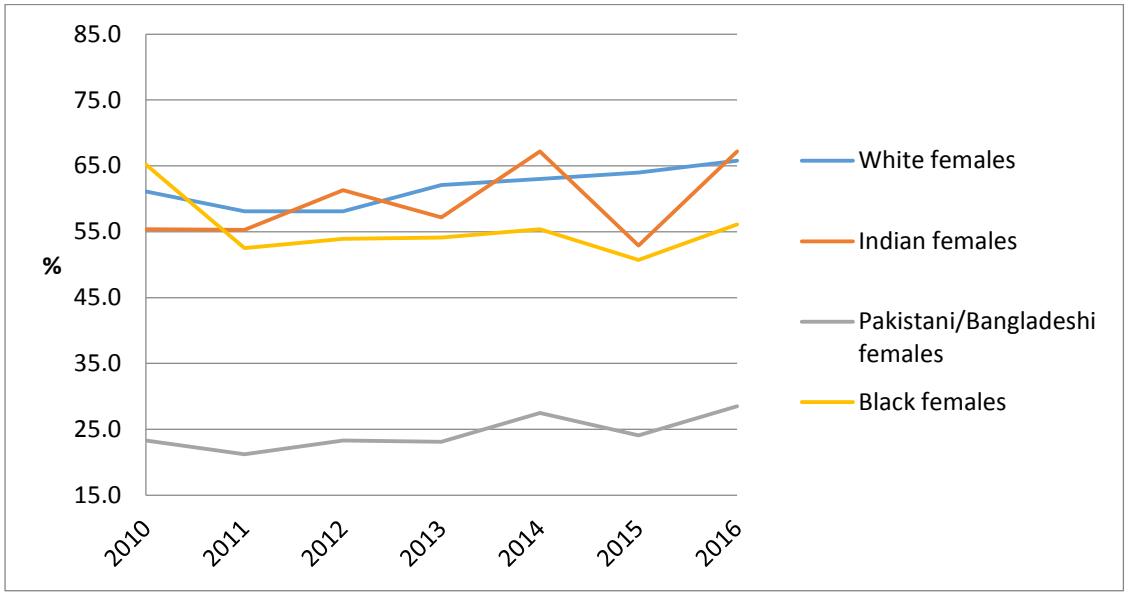
A significant factor in the low employment rate for the Pakistani/Bangladeshi group is the very low employment rate for women (28.5%). Pakistani and Bangladeshi residents who are employed are also under-represented in higher occupations compared to other groups.

Chart 18: Male Employment Rate by Ethnic Group, Birmingham



Source: ONS, APS

Chart 19: Female Employment Rate by Ethnic Group, Birmingham



Source: ONS, APS

Despite low labour market participation rates among some ethnic groups, the ethnic make-up of the city does have its advantages and strengths. Birmingham has long been associated with ethnic entrepreneurship amongst groups such as South Asians. Some highly successful business ventures have been born out of migrant businesses such as East End Foods, one of the UK's leading spice, lentil and rice specialists, with an annual turn-over in excess of £180m. KTC, Awan Marketing, and Euro Packaging, are also great examples of successful enterprises and the South Asian community, has produced many thriving microbusinesses. In April 2016, Sparkhill was named the independent shopping capital of Britain; highlighting the entrepreneurial spirit within the community. Birmingham's curry industry can also be attributed to South Asian migrant businesses.

More recently arrived groups in the city have also set up businesses with a strong Polish business community now developing through Polish delicatessens, construction companies and more professional services, such as recruitment agencies. Many of these businesses trade across the EU.

It is important to note that there is a lag with these statistics and that over recent years, especially within the South Asian community, good progress has been made in overcoming some of the historic challenges. There are a strong number of start-up enterprises coming from ethnic minority communities. Nevertheless, there is still work to be done in ensuring that these businesses have access to the support they need in order to grow and thrive.

A diverse population in the city also offers an array of international connections, a variety of languages and a blend of many different cultures. This makes Birmingham the culturally diverse city that it is today.

Professor Anne Green, City-REDI, University of Birmingham

Increasingly the concept of 'inclusive growth' is being used as a label for a range of policy approaches seeking to more closely align economic growth to broader base social benefits. According to a definition adopted by the OECD, inclusive growth is economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity - both in monetary and non-monetary terms- fairly across society. The labour market and skills are core foci for policy to connect growth and inclusion.

Historically, labour market and skills policy has tended to focus on the quantity of jobs and on supply-side policies to raise qualification levels. The UK tends to perform well internationally with regard to high level skills, and Birmingham and the wider sub-region is home to world-class universities. A high share of graduate level skills is positively associated with high wages and productivity. However, by international comparative standards, the UK is characterised by a shortfall in intermediate level skills (which policy to increase the number of apprenticeships is designed to address) and a long tail of low skills. Local and regional statistics show that in Birmingham and the West Midlands this long tail of low skills is more pronounced than nationally, and also that employment rates are lower than average. This highlights the importance of employability programmes to enhance labour market participation and initiatives to reduce the number of people with no or few formal qualifications.

Achieving inclusive growth means breaking out of 'low skills traps' – and this means addressing labour demand as well as supply. A high proportion of jobs demanding only low skills drags down productivity and means limited demand for intermediate and high-skilled labour, which in turn leads to limited opportunities for progression, so reducing demand for and the viability of training for skills development. In such a situation individuals with higher level skills find their skills under-utilised and so many move away, limiting labour supply and leading to skills shortages – continuing a vicious circle.

Demand-side policies involve shaping the economy and the structure of employment to escape low skills traps and associated issues of low pay that tend to be associated with them. International evidence on inclusive growth suggests a role for policies that identify and target sectors that are growing, are of strategic importance and have the potential to create middle- and high-income jobs. Inward investment and cluster policies both have a role to play. The insertion of clauses regarding skills development and job quality in procurement can help embed the importance of employment quality in city and business development policies and raise wage floors. But to reap the rewards of such demand-side policies it is necessary to prioritise co-ordination with supply-side policies to better connect and match supply with demand. Sector-focused policies have an important role to play here, as do employability policies that look beyond employment entry to sustaining employment and in-work progression. Devolution of more powers to city-level may help in designing locally-sensitive demand-side policies and adapting national policies to address local needs.

Suzie Branch, Business Development Director, Business Professional Services Sector

Productivity and Skills for West Midlands Combined Authority (WMCA) region are one of the biggest challenges for the regional economy. GVA per head in the WMCA is currently at £19,423, nearly £3,500 less for each of the 4 million WMCA residents leading to a £14bn output gap compared to the national average.

WMCA report that the components of the output gap highlight issues across all the productivity drivers with insufficient skills, too few in employment and the quality of the indigenous WMCA business base.

- *Skills*: % of number individuals with qualifications at NVQ4+: in the West Midlands Region is 27.6% against a national picture of 34.9%
- *Employment*: employment rate in the West Midlands Region is 67.2% against a national picture of 71.5%

It is essential that Education and Business work together, not just through the Corporate Responsibility Agenda and supporting students develop the essential work ready skills but also to:

- Shape academic programmes and content to reflect the needs of regional sectors
- Identify the key growth areas across the region to ensure that training and development reflects the local economy
- Horizon scan and knowledge share together to look at job market forecasts to ensure that training and development programmes are developed by education and training specialists that are fit for the needs of business today and tomorrow.
- Grow our own regional talent: by working closer together through models like the Greater Birmingham Professional Services Academy and Creative and Digital Academy at BMet we can grow our own regional talent ensuring that our local young people and more mature talent from our diverse population are introduced to new careers and equipped with skills to enter new careers and sectors.

Contact Us:

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