

A report on skills shortages in the West Midlands Combined Authority

May 2017



Centre for Progressive Capitalism
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How a lack of technical skills may be holding back the West Midlands economy

The economy in the West Midlands Combined Authority (WMCA) – covering the geographical area of three LEPs: Black Country, Coventry and Warwickshire, and Greater Birmingham and Solihull – has performed relatively well recently. The employment rate grew in the 12 months to December from 62.4% in 2010 to 65.6% in 2016, and the unemployment rate fell from 11.9% to 7.5% over the same period. Growth in GVA per head for the wider West Midlands region has averaged 2.75% per year since 2010, slightly higher than the 2.53% seen in the UK as a whole, according to the ONS.

However, analysis done by the Centre suggests that the area is being held back by a shortage of key technical skills. Employers are having difficulties in filling key technical occupations, citing a dearth of suitably qualified candidates.

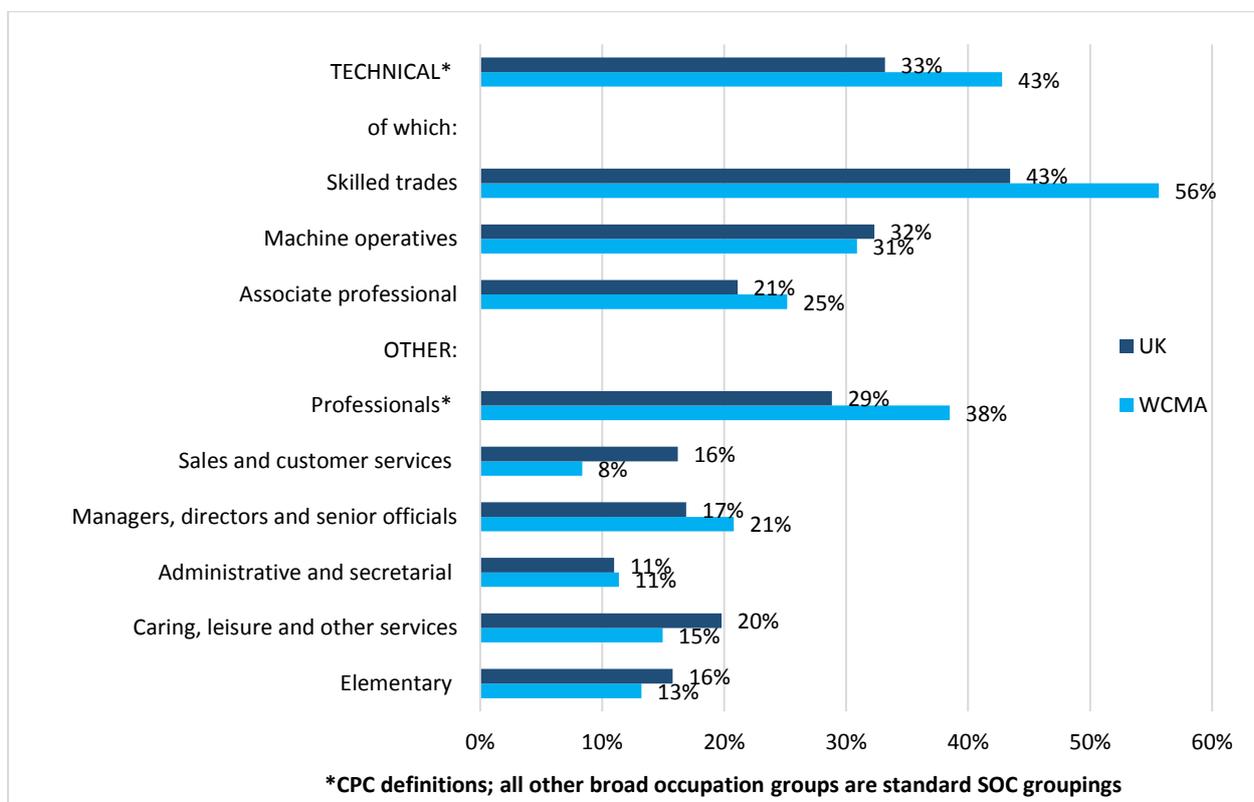
Occupations

Technical roles suffered from skills shortages more than any other occupation group in WMCA in 2015. In all, 43% of all technical vacancies were classified as ‘skills shortage vacancies’. This figure is significantly higher than the average across the UK for technical roles of 33%.

Looking within the technical definition, employers struggled to recruit for more than half of all vacancies (56%) for skilled trades roles due to skills shortages, compared to an average of 43% in the UK.



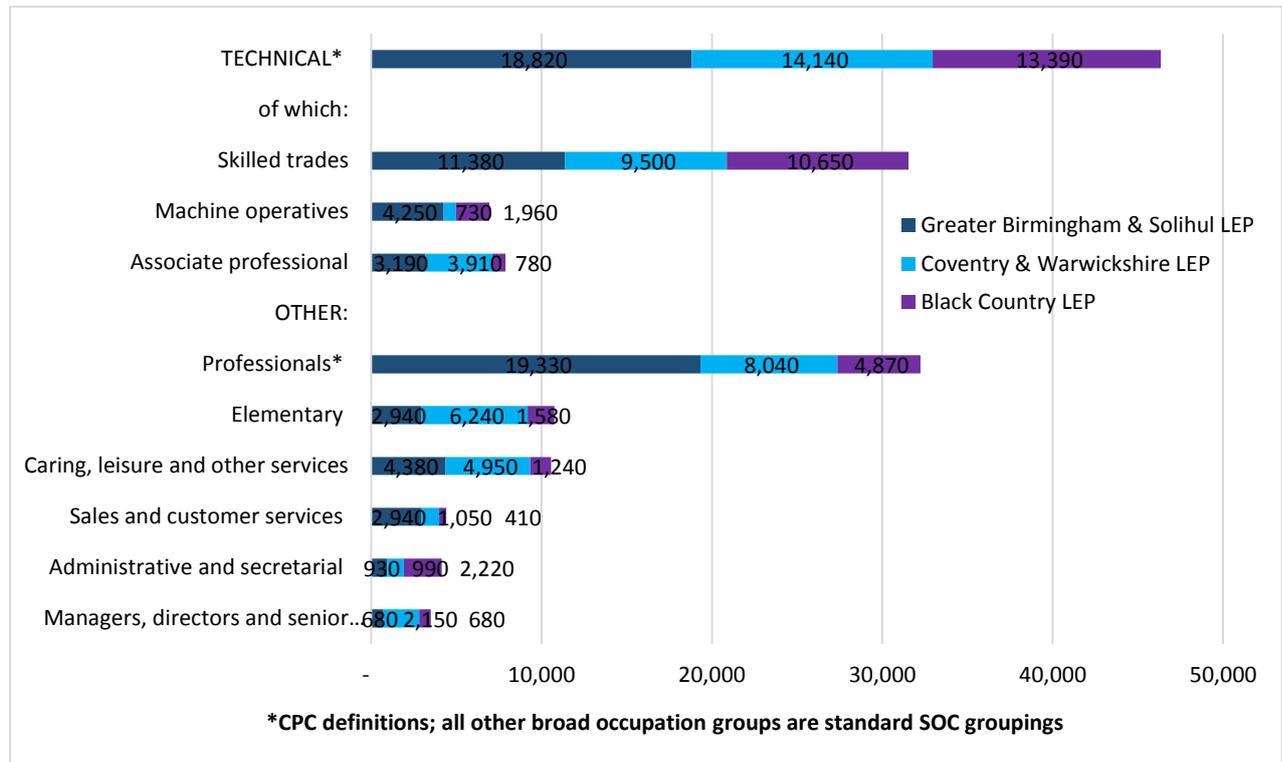
Chart 1: The percentage of vacancies that were skills-shortage vacancies in the West Midlands Combined Authority in each broad occupation group, 2015¹



¹ Centre for Progressive Capitalism analysis of the raw data from UKCES' 2015 Employer Skills Survey, which surveyed 5,117 employer establishments across the West Midlands Combined Authority.

In terms of quantity, technical roles lead the way, with an estimated number of skills shortage vacancies of over 46,000 in 2015. More than 30,000 of these were for skilled trades roles.

Chart 2: The number of skills shortage vacancies by sector of the employer, West Midlands Combined Authority, 2015²



The data suggests that employers in WMCA find it more difficult to fill vacancies for skilled trades roles than the average employer across the rest of the country, which is cause for considerable concern as skilled trades make up a higher than average proportion of the local economy.

According to live vacancy data, skilled trades roles accounted for 9% of vacancies in WMCA in 2016, as opposed to 7% in the country as a whole. What's more, demand for these roles is growing faster in WMCA than in the UK average, with year on year growth since 2012 at 21% and 14% respectively.

The skills shortages for skilled trades roles appear to be acting as a constraint on local business to expand as quickly as they would like.

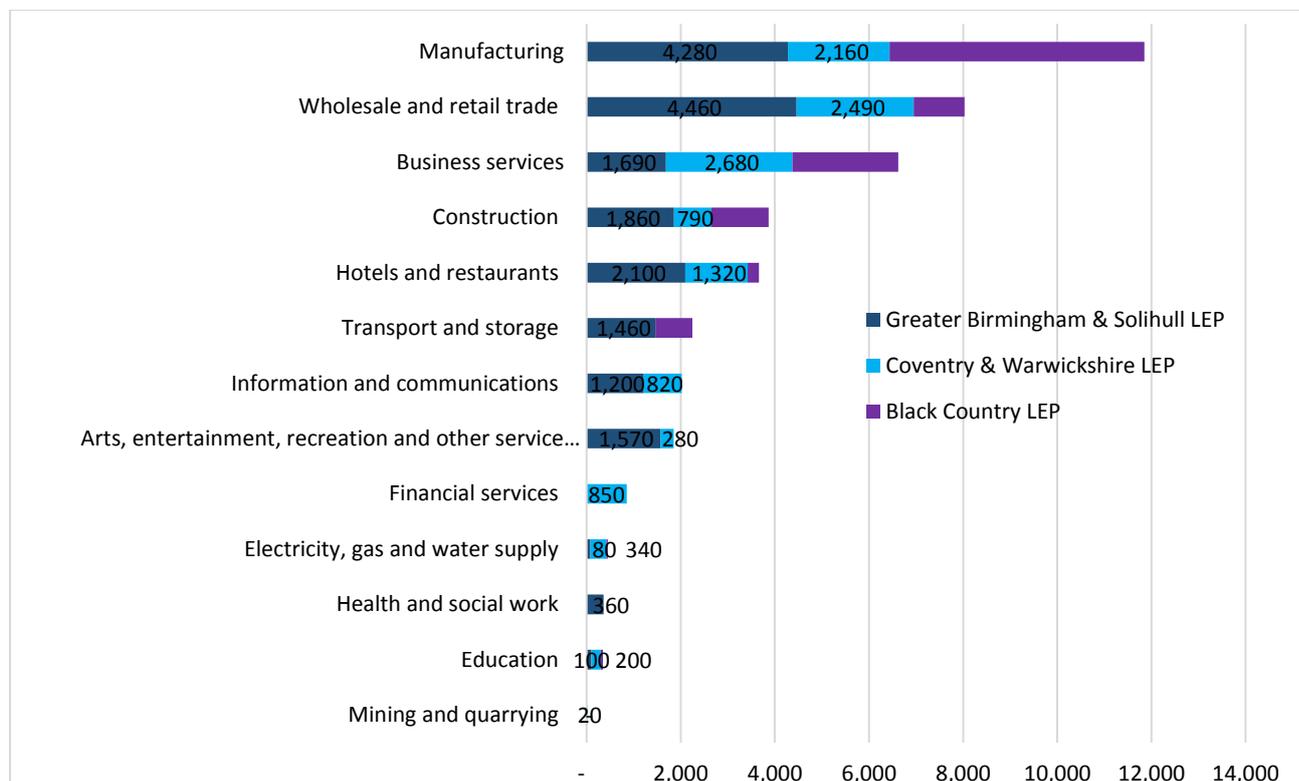
² Centre for Progressive Capitalism analysis of the raw data from UKCES' 2015 Employer Skills Survey, which surveyed 5,117 employer establishments across the West Midlands Combined Authority. Note, the figures here have been annualised using annual data from Burning Glass, since the UKCES question asks respondents whether they 'currently' have vacancies.

Sectors

In the West Midlands Combined Authority area, the manufacturing sector accounted for the highest number of technical skills shortage vacancies. There were an estimated 11,850 vacancies for technical roles across the area that employers in the manufacturing sector struggled to fill due to a lack of necessary skills. Around 5,410 of these were in the Black Country LEP, where technical skills shortages in manufacturing appear to be particularly acute. 2,160 were in the Coventry and Warwickshire LEP, with the remaining 4,280 occurring in Greater Birmingham and Solihull LEP.

Analysis of the UKCES raw data suggests that as many as half of all vacancies for technical roles in the manufacturing sector could be classed as skills shortage vacancies.

Chart 3: The number of skills shortage vacancies for technical roles by sector of the employer, West Midlands Combined Authority, 2015³



Similarly to skilled trades roles, the prominence of technical skills shortage vacancies in the manufacturing sector in WMCA is concerning. As a whole, this sector made up a greater proportion of employer demand in the WMCA than the UK average in 2016.

³ Centre for Progressive Capitalism analysis of the raw data from UKCES' 2015 Employer Skills Survey, which surveyed 5,117 employer establishments across the West Midlands Combined Authority. Note, the figures here have been annualised using annual data from Burning Glass, since the UKCES question asks respondents whether they 'currently' have vacancies.



Analysing live vacancy data pulled from job websites, the manufacturing sector accounts for 20% of vacancies in WMCA, compared to 13% in the whole of the UK.

Furthermore, job vacancies have grown at an annual rate of 14% in the manufacturing sector in WMCA between 2012 and 2016, stronger than the UK average of 10%. Yet ONS data suggests that workforce jobs in manufacturing sector in WMCA went up by only 0.5% per year between December 2014 and December 2016. Once again, the data implies that employers are being constrained by a lack of appropriate technical skills in the combined authority area.

Filling the technical skills shortages

The presence of tens of thousands of technical job vacancies in the West Midlands Combined Authority that are difficult to fill due to skills shortages represent both a constraint and an opportunity for the local area. The constraint is clear; if businesses cannot recruit people with the skills they need then they will not be able to expand. The opportunity is that there are tens of thousands of generally high-skill well-paid jobs ready to be filled. Addressing the shortfall for technical skills could provide a much needed boost to living standards, social mobility and productivity.

To do so requires a technical education system capable of producing the skills employers require. Such a system must drive high quality skills development across the board, but it should also take a nuanced approach, allowing for local variations in the types of skills needed.

Local Enterprise Partnerships (LEPs) and further education providers have a vital role to play in this, primarily through guiding provision towards the particular skills mismatches present in their local area. The Centre for Progressive Capitalism has developed a skills mapping system that empowers LEPs and providers to do just that.

The system uses job vacancy data to gauge employer demand, UKCES's Employer Skills Survey data to identify skills shortage vacancies, and LEP datacube data to analyse FE course competitions and apprenticeships. This is then triangulated with a number of other data sets, including the Labour Force Survey and self-employment data, to provide greater insight. Utilising big-data mapping techniques, the skills mapping system allows for a greater, more granular understanding of the mismatch between supply and demand for technical skills in local areas.

Methodology

The West Midlands Combined Authority (WMCA) covers the geographical area of three LEPs: Black Country, Coventry and Warwickshire, and Greater Birmingham and Solihull. The analysis is done for each LEP and then aggregated to the WMCA level.

The analysis of skills shortages in West Midlands Combined Authority uses raw data from UKCES' 2015 Employer Skills Survey, which surveyed 2,449 employers in Greater Birmingham and Solihull, 1,287 in Coventry and Warwickshire, and 1,381 in the Black Country. The report also uses job vacancy data scraped from jobs websites using Burning Glass



Skills shortage vacancies are those vacancies that were proving difficult to fill due to the establishment not being able to find applicants with the appropriate skills, qualifications or experience.

To make the technical definition, the Centre groups together skilled trades, process, plant and machine operatives, and some technical associate professional roles. The non-technical associate professional roles are moved to the professional group.