

## Labour Market Disconnect

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# WMREDI

## Policy Briefing Series – December 2021

### Labour Market Disconnect:

### High Level of Unemployment in the Region and a Record Number of Vacancies for Jobs and Apprenticeships



Schwarz, J.; Pugh, A.; Breukelaar, H., Green, A.; Bramley, G.

### Summary and policy recommendations

Nationally and internationally, there is a disconnect between high levels of unemployment and a record numbers of vacancies for both jobs and apprenticeships. The current disconnect is based on the number and types of jobs on offer on the one hand, and the available workforce on the other hand.

This current labour market unbalance is expected to ease over the next 12 to 24 months, although it is not expected to disappear altogether for some time. Whilst this problem isn't unique to the UK, it is likely that Brexit has exacerbated some of the problems.

- The pandemic has exacerbated existing inequalities. As a result, women, young people, the BAME community and lower earners are now at even higher risk of unemployment than they were before the pandemic. Measures need to be put into place to support these groups in seeking, finding or transitioning into new opportunities.
- Career information, advice, and guidance, as well as information on benefits and training, need to be a key part of the response to the COVID-19 crisis. A one-stop shop for career guidance would be beneficial.
- Business Support for employers to help them articulate and communicate opportunities in language, and via channels, that jobs seekers use, whilst also supporting new starters so they want to stay.
- Government incentives such as the Kickstart programme and support for apprenticeships can help bridge the gap.
- Skills and training in areas of specific needs can help. Examples are bespoke training and skills provision such as construction training programmes, and the Digital bootcamp.
- Bespoke business support and skills brokerage services that are designed to help alleviate this issue, initiatives in areas such as hospitality and construction skills are specifically developed in response to the current situation.

## Introduction

There is a need to understand the disconnect in the labour market between high levels of unemployment and a record numbers of vacancies for both jobs and apprenticeships. Reasons for this are not always clear; rather they are complex and interrelated.

This report seeks to set out to highlight issues observed and discussed by various stakeholders. In putting together this report we encountered challenges around the availability of data and the nature of the evidence base. As a result, some issues identified are based on insights from a range of sources.

## The Scale of the Problem:

### 1. Growth in vacancies

The [ONS](#) reports a growth in job vacancies in nearly all industries from July to September 2021. The current ratio of 3.7 vacancies per 100 jobs is the highest on record. Table 1 shows the rate of quarterly growth in vacancies per industry in the UK.

**Table 1: [Quarterly](#) growth in vacancies by sector compared to pre-pandemic data January – March 2020 in the UK**

Sector	Quarterly percentage growth since April to June 2021	Percentage growth since January to March 2020
Transport and storage	56.1	45.5
Construction	45.3	65.4
Manufacturing	32.4	63.5
Wholesale and retail trade; repair of motor vehicles and motorcycles	32.4	11
Professional scientific and technical activities	30	49.2
Administrative and support service activities	29.7	63.1
Accommodation and food service activities	22.5	59
Education	21.7	21.5
Human health and social work activities	11.6	27.3

### **Employers in the West Midlands have experienced difficulties in recruiting care assistants, warehouse operatives, hospitality workers and welding specialists (manufacturing).**

Job vacancies exceed pre-pandemic levels between March and May 2021, with 862,000 placements available. Sectors such as arts and entertainment and accommodation and food services activities, badly affected by the pandemic, have seen strong increase in vacancies. ([WM Economic Impact Monitor](#), 17. Sep. 2021).

The National Institute UK observes in its [Economic Outlook](#) (Summer 2021) that economic inactivity and unemployment rates are projected to keep increasing throughout 2021-2023.

There were 186,380 claimants in the WMCA (3 LEP) area in August 2021 ([WM Economic Impact Monitor](#) (17. Sep. 2021)). The number of claimants has come down nationally since March 2020. Since August 2020, the numbers in the WM decreased less than the national average. (12% in the WMCA (3 LEP) area compared to 18.7% nationally)

## Labour Market in the West Midlands

According to the [Annual Population Survey](#) in the WMCA (3 LEP) area, the economic activity rate increased in the year ending June 2021 compared to year ending June 2020, by 0.2pp to reach 77.5%. This growth rate is considerably above the UK average which decreased by 0.7pp (to 78.2%).

The employment rate decreased by 0.5pp to 72.6% in June 2021 compared to the previous year. The UK employment rate decreased by 1.5pp (to 74.3%) for the same period.

The unemployment rate increased by 0.9pp to reach 6.4% in June 2021 compared to the previous year - the increase was below the UK average of 1.1pp but unemployment remains above the UK average of 5.1%.

### Unemployment in women

[The Institute of Employment Studies](#) shows that women are about one third more likely than men to work in sectors that had shut down. In not-affected sectors, they are more likely to have worked less or leave work entirely. Women are bearing a greater share in childcare commitments both in working households and lone parents' households (of which over 70% are headed by a women).

### Unemployment amongst young people

With almost 40% of our population aged under 25, Birmingham has the advantage of a younger than average population. In February 2020, prior to the Covid-19 pandemic, 6.3% of young people aged 18 to 24 in Birmingham and 6.1% in the West Midlands were unemployed (Birmingham City Council [Breaking down barriers](#) report (July 2021)).

### Unemployment in the BAME community

Nationwide, the number of people from a minority ethnic background who are unemployed has increased in April-June 2021 from 7.5% to 8.0% compared to the same period last year ([House of Common Research Briefing](#), September 2021). The rate was 4.0% for people from a White ethnic background. There was substantial variation between different ethnic minority groups, however. People from Indian (5.0%) ethnic backgrounds had the lowest unemployment rates, and people from Black (10.0%) and Mixed or Multiple (9.5%) ethnic backgrounds had the highest rates in April-June 2021.

After London, the West Midlands is the second most ethnically diverse region in the UK. More than 20% of the population identified themselves as not from 'the White British group' in the 2011 [Census](#), with 10.8% Asian, 3.3% Black and 2.4% Mixed ethnicity.

### Unemployment or low economic activity in older workers

The Job Retention Scheme take-up rate was highest in young people aged under 25 and, with 30%, second highest in those [60 years and older](#). Older people may be [forced into early retirement](#) and/or have to forego a gradual retirement.

## 2. Jobs on offer

Here we discuss **the factors that shape the jobs on offer**. Some of those factors predate the COVID-19 pandemic, like the identified weakness of the region regarding skills (skill shortage and skills mismatch), or a reliance on certain industries and sectors, and the implications of the EU exit, but their impact on jobs on offer increased with the pandemic. Others, like changes in business models and furlough can be traced to the pandemic.

### Structure of employment in the region prior to the pandemic

The [OECD \(2020\)](#) identified the following sectors as being most at risk from the pandemic and likely to face the greatest disruption in terms of the workforce they employ: manufacturing of transport equipment; construction; wholesale and retail trade; air transport, accommodation and food services; real estate services; professional service activities; and arts, entertainment and recreation.

The West Midlands Combined Authority area employs a higher-than-UK-average proportion of its workforce in four occupational roles employed in the at-risk sectors (Table 2): Elementary occupations, Process, plant and machine operatives; Caring, leisure and other service occupations and Administrative and secretarial occupations ([WM Economic Impact Monitor](#) 17. Sep. 2021. Except for the care sector, this resulted in individuals spending a significant period of time on furlough.

**Table 2: [WMCA \(3 LEP\)](#) and UK employment by occupation for the year ending March 2021.**

	WMCA			UK
	numerator	denominator	percent	percent
% all in employment who are - 1: managers, directors and senior officials	198,100	1,949,400	10.2%	11.1%
% all in employment who are - 2: professional occupations	425,000	1,949,400	21.8%	23.1%
% all in employment who are - 3: associate prof & tech occupations	261,300	1,949,400	13.4%	15.4%
% all in employment who are - 4: administrative and secretarial occupations	207,400	1,949,400	10.6%	10.2%
% all in employment who are - 5: skilled trades occupations	162,300	1,949,400	8.3%	9.0%
% all in employment who are - 6: caring, leisure and other service occupations	187,300	1,949,400	9.6%	9.0%
% all in employment who are - 7: sales and customer service occupations	133,700	1,949,400	6.9%	7.2%
% all in employment who are - 8: process, plant and machine operatives	143,700	1,949,400	7.4%	5.7%
% all in employment who are - 9: elementary occupations	225,600	1,949,400	11.6%	9.1%

Furlough provided employers the ability to redeploy staff as economic circumstances improved but this has in practice not been as straightforward as envisaged for several reasons.

### **Employers may have changed their business model in response to the pandemic, changing the skills they need**

- Some sectors have changed their business model and consequently changed the nature and location of roles. Retail, for example, traditionally providing entry level roles. According to research by PWC, more than 1,500 shops disappeared from Midlands's retail locations in the first half of 2021. There was an expansion of online shopping accelerating digitalisation which occurred across many sectors.
- There was already a growing trend towards increasing levels of [digitalisation and automation](#), which has been sped up by the pandemic. In 2019, the [Employer Skills Survey](#) shows that a lack in digital skills represents a key recruitment challenge in the GBSLEP area. The proportion of vacancies in advanced IT is above the average in England.
- [UK Skills Mismatch in 2030](#), a Research Paper from the Industrial Strategy Council (2019) observes advances in technology such as automation and big data mean that jobs in England are likely to see some of their duties and tasks being automated in the future. By 2030, there could be a 13% increase in jobs requiring a bachelor's degree, and 7 million additional workers could find themselves under-skilled compared to the requirements of their job.
- Also, technical level jobs become more significant within new business models. New T-levels were only starting to be rolled out at the beginning of the pandemic.
- Those that adapted their business model early and exploited new opportunities were in a better position to bring back staff and redeploy staff with necessary training in new roles (Evaluation of Pivot & Prosper).

### **Changes in business model of regions OEMs business models and products affected regional supply chain**

- The pandemic has given business leaders and their senior management team time to reflect on their business model which in turn impacts on skills requirements.
- Some sectors, like the automotive sector, are undergoing significant transformation. The capacity for large scale manufacturing of new electric vehicle (EV) models might not be in place in time to ensure a smooth transition of the workforce, e.g., the plant required for the producing electric car batteries being only fully operational by 2025. The move to EV technology requires an upskilling of the workforce. The [Institute of the Motor Industry](#) identifies a skills shortage within the automotive sector to work on electric vehicles and indicates that by the end of 2020 only 6.5% of the automotive sector was EV ready.

## **3. Workforce (not) on offer**

The impact of COVID-19 is far reaching as it has led to people reassessing what they would like in their jobs in terms of pay, conditions and how it fits into non-work responsibilities and their lifestyles. In the short term, workers may be concerned about returning to the workplace for health reasons or out of concerns for vulnerable members in their households.

### **Obstacles to re-entering the workforce**

- **Lack of confidence:** A study by [Thomson Reuters](#) indicates that those returning to work after furlough seem to experience a lack of confidence, anxiety and less job satisfaction than those who were not furloughed. They may feel less valued, disengaged with their employer, lacking in social connection with colleagues and loss of confidence.

- **Change in skills required:** Sectors traditionally offering entry level occupations for young people experienced major changes in their business models during the pandemic, for example, the retail sector moving towards online shopping and the closure of retail locations in the West Midlands. Consequently, there are fewer entry level jobs with low level skills requirements and digital and advanced digital skills are becoming more necessary to secure a job.
- **Awareness of opportunities:** Some young people might not be aware of apprenticeship schemes or opportunities of employment in new sectors.
- **Women, younger people and lower earners:** In *'Getting Back to Work'* by the IES, women, younger people and lower earners, are identified as being most at risk of unemployment. For example, women are more likely to be employed in high street retail and men in the warehousing and distribution roles needed for online shopping.
- **BAME community:** The [Trades Union Congress](#) (May 2021) note that WM have seen a high increase in unemployment in the BAME workforce. They attribute this to a high concentration BAME employees in sectors highly affected by the pandemic such as retail and hospitality who have lost their jobs. In their recent publication *Unequal impact? Coronavirus and BAME people* (December 2020), the House of Commons Women and Equalities Committee report that many underlying inequalities, such as across a huge range of areas, including health, employment, accessing Universal Credit, housing and the no recourse to public funds policy, existed pre-pandemic. This made the impact of the pandemic far more severe for BAME people than their White counterparts.
- **Older workers:** Some [older workers](#) may choose to withdraw from the labour market, i.e., become economic inactive. They are less likely to return to work following redundancy than younger workers. If they need to change sectors/ take on new job roles as they are less likely than young people to participate in training. On average, they are less digitally aware and confident than younger workers. This makes it more difficult for them to transition to remote working. Remote working is often not possible for those in lower socio-economic groups where the use of the internet is lowest.

### Caring responsibilities

- Caring responsibilities for children or elderly relatives seem to make it harder for women to return to the workforce full time or at all. This trend is also observed in the USA [Forbes](#) (May 2021) describes that caring responsibilities particularly childcare and home schooling of children in cases of covid outbreaks in their classroom bubbles often fall on the female head of the household.
- Women might find it harder to find jobs that accommodate for these responsibilities as they are harder to plan, and employers might not signal any kind of flexibility to potential female employees.
- Women face discrimination in traditional male sectors and occupations and a [lack of incentives](#) to attract women to into these roles.

### An increase in physical and mental health barriers to employment

- Mental health related to grief, loss, isolation.
- Long Covid

### Lack of work experience

- Students who traditionally acquired work experience have not been able to do so in the context of lockdown, contributing to their lack of confidence/pessimism bias.

## Reluctance to move into new employment in times of economic insecurity

- The Coronavirus Job Retention Scheme, (the furlough scheme) ended on 30 September 2021. Some employees might not be able to return to their pre-lockdown role and are made redundant, as not all businesses are profitable enough. Others might be re-deployed in a different role. Workers might not be aware of opportunities within their sector or have an understanding and full appreciation of their transferable skills to apply for jobs in other sectors.
- During furlough there may have been a reluctance to move employers because of a potential loss of accumulated employment rights, thus the labour market is not as agile as it could be, and higher-skilled vacancies might not be filled.
- Families on benefits with multiple deprivation challenges might find it hard to move into employment out of fear of their disposable income being further reduced and, in case they are made redundant again, they might find themselves into deeper deprivation as benefits will not immediately start again.

## The Great Resignation

[Reflecting](#) on roles, whether they are valued and whether their skills are put to good use, people have emerged with a stronger sense of what they want from work and are willing to accept. This global phenomenon reversed an initial pattern when of high unemployment risk quitting employment is reduced as people seek security. A year and a half of stress, anxiety, soul searching and burnout means people have taken a step back and reassessed their lives.

## Skills shortages and skills mismatch

- [Increasing](#) technological innovation and growing adoption of new technologies is changing the types of jobs available, and the range of skills required by employers. At the same time, the [Adult Participation in Learning Survey 2019](#) shows that participation in training is declining. The Covid-19 pandemic risks [accelerating and accentuating these trends](#), further polarising labour markets and widening inequalities.
- [UK Skills Mismatch in 2030](#), Research Paper from the Industrial Strategy Council (2019) observes while the UK population is gradually becoming more qualified, demand for higher qualifications is expected to outstrip the rise in the proportion of the population with degree level qualifications or above.
- Employees switching sectors during lockdown as some industries were closed. This might have encouraged workers to join a different major industry to find more lucrative employment, better working conditions and [job security](#), e.g. [switching the kitchen for Amazon](#).

## EU Exit

- In January 2021, the UK moved to a new immigration system with the end of free movement and EU citizens being treated in the same way as non-EU citizens. This reduced flexibility of employers to recruit in particular at the lower end of the labour market as free movement of EU nationals ended.
- The [ONS](#) describes the lack of EU applicants as contributing to the recruitment challenge. A reduced number of EU applicants was indicated as factor by 25% of all businesses that were experiencing recruitment challenges. In Transport and storage, this rises to almost one in two (46%).



## Regional Context

### Prediction of unemployment Rates

Figure 1 uses the Oxford Economics model to show how unemployment rates are expected decrease and move towards pre-pandemic levels after an initial spike in unemployment within constituent areas of GBSLEP. For some areas, it will take longer to return to pre-pandemic unemployment levels than others. In some cases, unemployment continues to remain substantially higher than pre-pandemic. This may be a consequence of the sectoral make-up of employment between areas (see Figures 2a and b). This might suggest that there will be a gradual decline in discrepancy between high unemployment and high vacancies in the region.

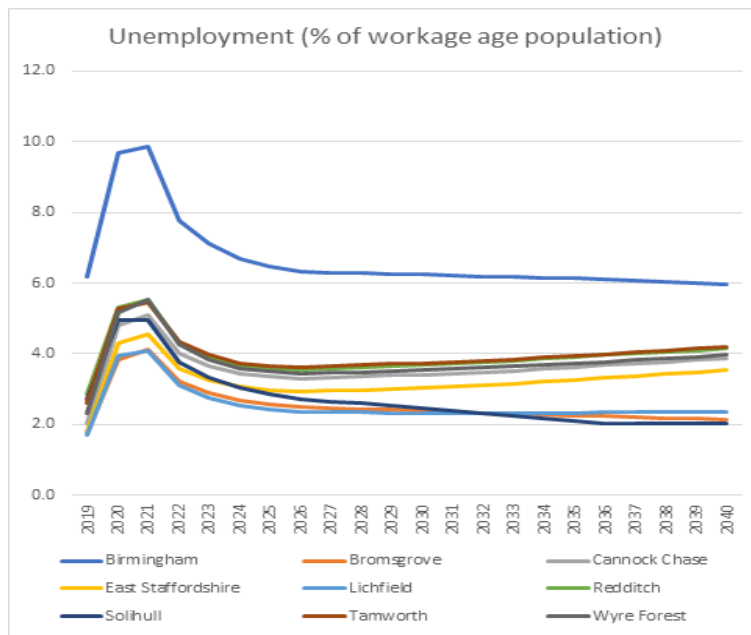


Figure 1: Predictions of the Percentage of the working age population that is unemployed from 2019 to 2040. Source: Oxford Economics Model

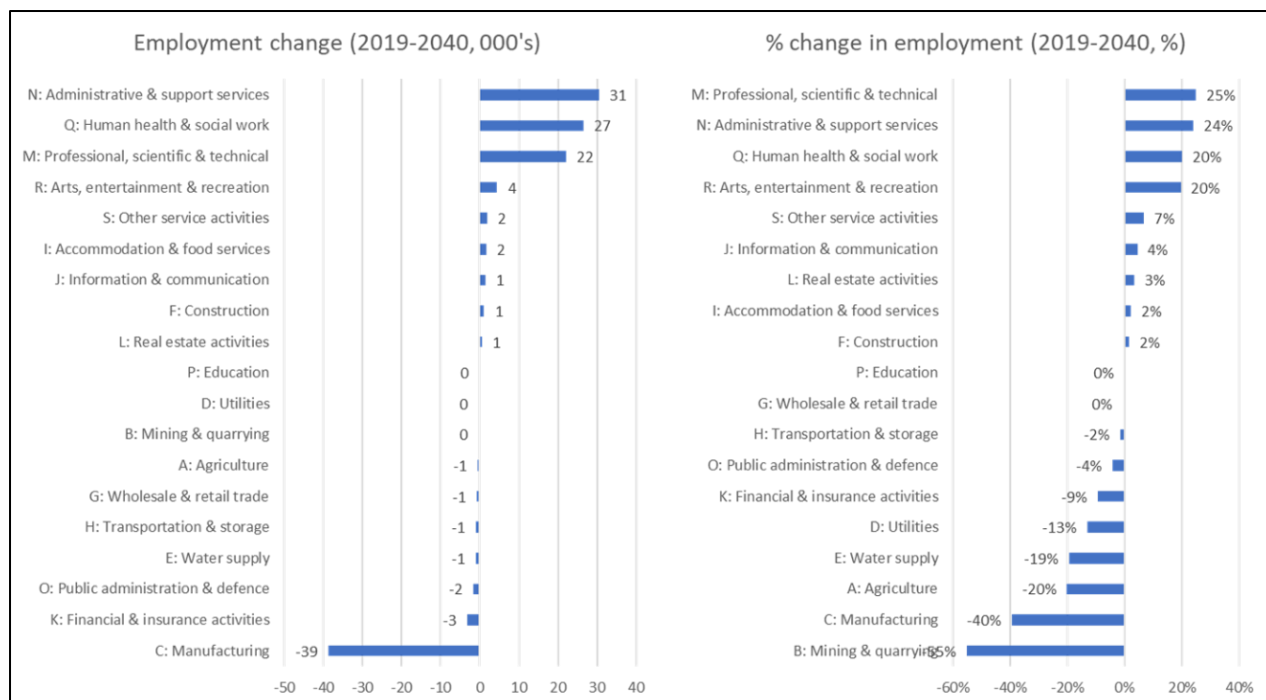


Figure 2a (Left): Employment – Predicted Total change in employment by sector (jobs) in thousands from 2019 to 2040. Source: Oxford Economics Model

Figure 2b (Right): % Employment – Predicted percentage change in employment (jobs) by sector from 2019 to 2040. Source: Oxford Economics Model.

## Routes to bridging the gap

In this section, we discuss how pathways into and within employment can contribute to the disconnect between high levels of unemployment across our region and the record numbers of vacancies for both jobs and apprenticeships.

### Career information, advice and guidance

Lack of professional support, information, advice and guidance can be an obstacle in entering a job or career or for changing into new roles. It is [suggested](#) that career information, advice and guidance need to be amongst other factors, such as benefits and training, a part of the response to the COVID-19 crisis.

- Lack of access and clarity about effectiveness of various employment services for young people was identified by the [Youth Foundation](#) as preventing young people to finding sustainable employment
- Difficulties in obtaining information about courses
- Information provided is not always correct

### Support for employers

- Employers are re-designing job roles around skills requirements they need for their new business models. This could include more and advanced digital skills.
- Job roles may be also re-designed around remote and blended working to accommodate more flexibility.
- This can be both the employer and the worker.
- Making jobs more attractive to retain and recruit new workers
- Use of digital technologies to reduce the skills level required where highly skilled staff are not available.

### Government incentives

- Kickstart programme
- Apprenticeships

### Increasing the range and availability of training opportunities

- Currently some sectors face bottlenecks in training, e.g., construction workers and HGV drivers.
- Time required for training can be longer for certain occupations but there has been innovation providing bootcamps for specific sectors and skills, e.g., digital bootcamps and creative sector.

## Policy Recommendations

### Improving job design and person-job fit to accommodate

- businesses adapting to hybrid working models - including optimizing the benefits of office working
- companies' digital strategies.
- altering working hours and patterns to make jobs more attractive to specific underrepresented groups in the workforce and re-assessing recruitment strategies
- fit the job around person challenges, e.g., health, autism

### **Education and skills**

- Closer matching of skills needs and supply (digital, automation, etc.)
- Recognition and promotion of T-levels
- Graduate retention
- Transferable skills
- Improvement of career information, advice and guidance for young people (one-stop-shops) and career coaches
- Skills toolkits

### **Social economy**

- Capitalise on renewed social consciousness through a stronger social economy

### **Business**

- Business support for everyday innovations
- Necessity self-employment

### **Routes into employment**

- Scope and capacity of employment advisor, careers IAG
- Facilitating transition into new sectors, e.g., job attendance into health – transferable skills
- Volunteering opportunities
- Exposure to career options
- Challenging perception
- Actively encouraging women and BAME workers into sectors and roles they had traditionally not occupied

### **SMEs and self-employed support:**

- use their networks to identify small businesses in difficulty
- ensure that they are connected to the range of national and local support available
- access to finance (loans, wage subsidies, grants, etc.)
- advice and mentoring for restructuring operations.

### **Short term visas to deal with chronic shortages**

- Support for new clusters (ceramic, space)
- Support sectors over a longer period, e.g., aerospace

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