

## Labour market profile – Sandwell

### 1. Introduction

- 1.1. This profile shows how the labour market is projected to change in Sandwell between 2006 and 2020<sup>1</sup>. It uses employment projections data produced by Cambridge Econometrics which are based on a public sector austerity scenario. The projections were generated in July 2009 in anticipation of the forthcoming Government spending cuts.
- 1.2. The public sector austerity scenario assumes that public spending will fall year-on-year through to 2013, with the sharpest fall in 2011 (by 2 percent), which will result in employment contracting. It assumes that spending will rise again in 2015/2016 but growth will be modest.
- 1.3. As well as drawing on employment projections produced by Cambridge Econometrics, the paper draws on sub-national population projections produced by the Office for National Statistics and our own projections on qualification levels<sup>2</sup>.
- 1.4. The analysis is focused around three points in time<sup>3</sup>:
  - **Pre-recession** - 2006 is taken as a snapshot of the labour market before the recession;
  - **Post-recession** - 2010 is taken as a snapshot of the labour market as the recession ended; and
  - **Long-term** - 2020 is taken as a snapshot of the labour market in the future to give an idea of longer term trends.
- 1.5. This paper uses the following indicators to measure labour market supply and demand:
  - Number of jobs in the workplace by occupation;
  - Population change and supply of working age people;
  - Residence employment and worklessness levels;
  - Job density by occupation; and
  - Residence qualification levels.

---

<sup>1</sup> We have also produced labour market profiles for Local Authorities in the West Midlands and a regional profile which draws together the key findings from these.

<sup>2</sup> There are no robust projections in place to give an indication of what qualification levels will be in the future. As a proxy measure, we have projected what qualification levels would be if current trends continued. We did this by calculating the average annual rate of change from 2004 to 2009 in the number of people qualified at each NVQ level and applying this to future years. The qualification projections are the least robust as they are based on a fairly short term trend. Also the data was taken from the Annual Population Survey rather than being a count of people with each qualification.

<sup>3</sup> The time points we chose were restricted by dates that the projections were available for: 2001, 2006, 2010, 2020, 2026 and 2031.

- 1.6. There are a few caveats to bear in mind. This paper looks at *total employment* in the workplace rather than *new jobs* created. Many of the jobs in the workplace will already be filled by people so the figures don't show which occupations will offer the most new jobs in the future.
- 1.7. Also, the paper does not take into account 'replacement' demand for jobs which arises as people retire from the workforce. Some occupations have an older workforce than others so job opportunities will arise as they replace retiring staff. Therefore, it shouldn't be assumed that occupations with the most employment will have the most new jobs or that replacement demand will be the same across all occupations.
- 1.8. For further information on the methodology used, please refer to the methodology paper.

## **2. Overview of key issues**

2.1. In summary, the key labour market issues for Sandwell are as follows:

- There will be 7,600 fewer jobs in Sandwell's workplace in 2020 than in 2006. Sandwell will lose most jobs between 2006 and 2010.
- The working age population in 2020 will be bigger than in 2006.
- The number of jobs per 100 working age residents in 2020 (74) will fall from 2006 (81). This will mean there still won't be enough jobs to keep all working age people in employment.
- Sandwell needed 1,200 additional jobs to employ those that wanted to work in 2006 and is projected to need 2,700 additional jobs to employ all those that want to work in 2020.
- The number of workless residents in Sandwell will be higher in 2020 than in 2006. Sandwell's employment rate will fall from 68 percent in 2006 to 57 percent in 2020. Sandwell's employment rate (57 percent) in 2020 will be above the West Midlands average (70 percent).
- The occupational structure of the labour market will change. Higher skilled occupations<sup>4</sup> will account for the most employment in 2020 (rising from 39 percent in 2006 to 43 percent in 2020). Lower skilled occupations will lose jobs over 2006 and 2020.
- Skilled trade occupations will lose the most jobs between 2006 and 2020 (-8,300). Personal services will gain the most jobs over 2006 and 2020 (+3,100).

---

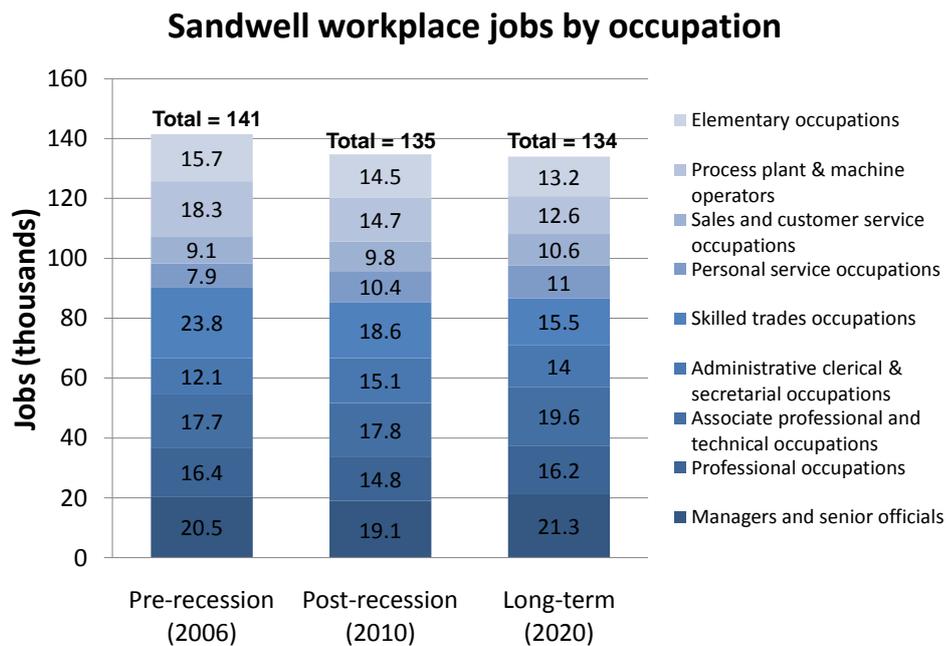
<sup>4</sup> This includes: managerial and senior professional, professional, and associate professional and technical occupations.

- There is a ‘mismatch’ between skills supply and demand. In 2006 there were 26,000 more higher skilled jobs than higher skilled residents in Sandwell. By 2020, there will still be 26,000 more higher skilled jobs than higher skilled people.
- There were 27,000 more unskilled 16-64 year olds in Sandwell in 2006 than unskilled jobs. If the number of unskilled residents continues to fall at the same rate, there will be 16,000 more unskilled 16-64 year olds than unskilled jobs in 2020.

### 3. Fewer jobs in the workplace

3.1. Sandwell’s economy will contract between 2006 and 2020 in line with the region. There will be 7,600 fewer workplace jobs in Sandwell in 2020 than in 2006 (see Figure 1), most of these jobs will be lost between 2006 and 2010. Sandwell will lose a few jobs over 2010 and 2020.

Figure 1



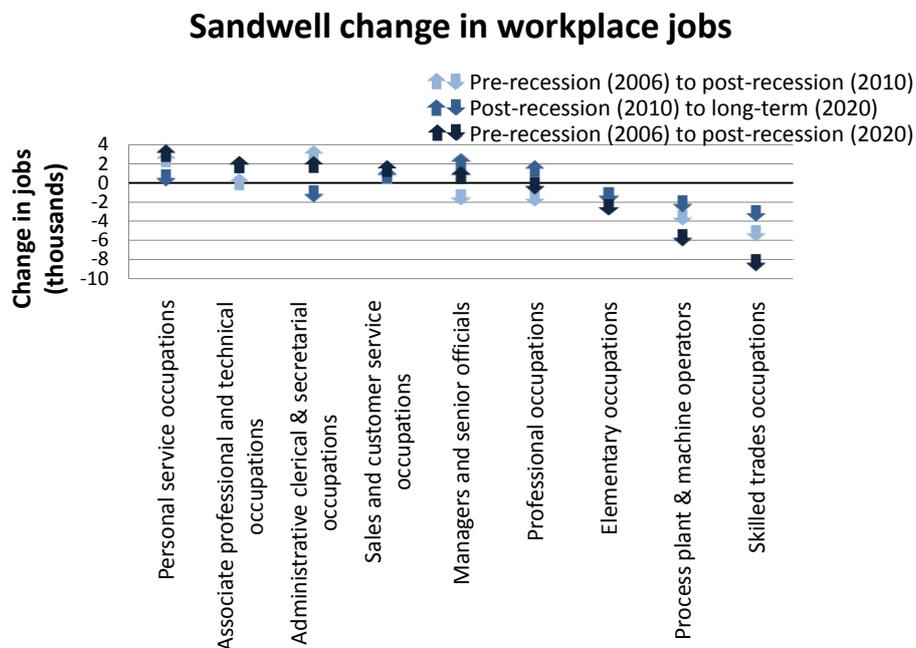
Source: Cambridge Econometrics employment projections – austerity scenario

3.2. The loss of workplace jobs between 2006 and 2020 in Sandwell will be the fourth biggest of all West Midlands’ Local Authorities.

#### 4. Lower skilled occupations most vulnerable to job losses

4.1. As the number of workplace jobs contract, Sandwell’s occupational structure will change (see Figure 2). Lower skilled occupations will contract over 2006 and 2020 whilst higher skilled and personal services occupations will grow.

Figure 2



Source: Cambridge Econometrics employment projections – austerity scenario

4.2. Skilled trades occupations will be hit the hardest - losing 8,300 jobs. The following occupations will also lose jobs over 2006 and 2020: process plant and machine operators (-5,700 jobs) and elementary occupations (-2,500 jobs). Regionally, skilled trades will also lose the most jobs.

4.3. All of these occupations will lose jobs between 2006 and 2010, and again between 2010 and 2020.

4.4. In 2020, all occupations will still have fairly significant employment shares. Sales and customer services occupations will have the smallest employment share (7.9 percent). This is a change from 2006 when personal services had the smallest employment share (5.6 percent).

#### 5. Higher skilled occupations more resilient to job losses

5.1. Higher skilled occupations<sup>5</sup> will gain 2,500 jobs overall between 2006 and 2020. Although professional occupations will lose jobs overall between 2006 and 2020, managerial and senior official and associate professional and technical occupations

<sup>5</sup> This includes: managers and senior officials, associate professionals and technical staff and professionals.

will gain jobs over this period to make up for this. Managerial and senior official occupations will lose jobs over 2006 and 2010 but gain more jobs over 2010 and 2020.

- 5.2. This is similar to the regional trend.
- 5.3. Overall, higher skilled occupations will account for a larger share of employment in Sandwell in 2020 (43 percent) than in 2006 (39 percent).

## **6. Personal services occupations will expand the most**

- 6.1. Personal services occupations<sup>6</sup> will gain the most workplace jobs over 2006 and 2020, resulting in 3,100 new jobs being created (2,500 between 2006 and 2010 and 600 between 2010 and 2020). By 2020 personal services occupations will account for 8.2 percent of Sandwell's employment – over two percentage points more than in 2006. The following occupations will also gain jobs over 2006 and 2020: administrative, clerical and secretarial occupations (+1,900 jobs) and sales and customer services (+1,500 jobs).
- 6.2. These trends are similar to the region.

## **7. Population profile**

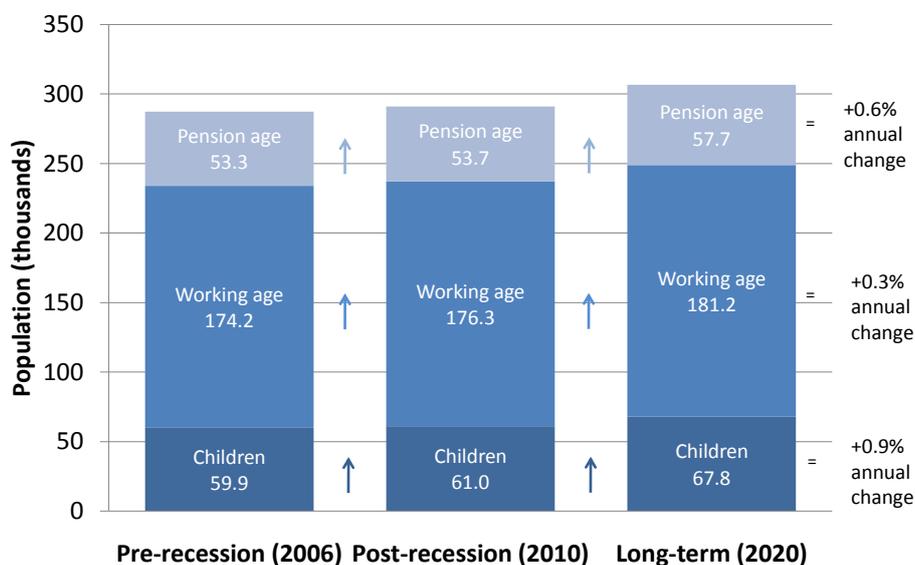
- 7.1. Sandwell's population is projected to grow between 2006 and 2020 (see Figure 3). This growth will be driven by more children being born than people dying. As the existing population ages, the working age and pension age population will increase. The number of children will increase as the birth rate exceeds the death rate.
- 7.2. Overall, working age people will account for a smaller proportion of the population in 2020 (59 percent) than in 2006 (61 percent). Overall annual population growth between 2006 and 2020 is projected to be the thirteenth biggest of all West Midlands' authorities.

---

<sup>6</sup> Personal service occupations includes the following jobs: nursery nurses and assistants, childminders and related occupations, play workers, teaching assistants, educational support assistants, veterinary nurses, pest control officers, animal care services, nursing auxiliaries and assistants, ambulance staff, dental nurses, houseparents and residential wardens, care workers and home carers, senior care workers, care escorts, undertakers, mortuary and crematorium assistants

Figure 3

### Age profile of Sandwell's population



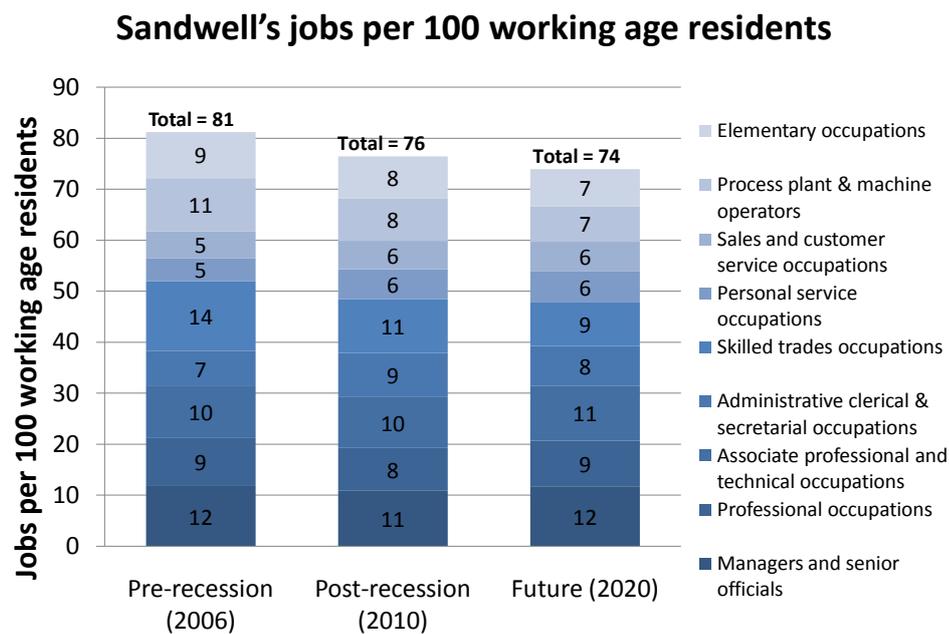
Source: ONS 2006 mid-year estimates, ONS 2008-based sub-national population projections

## 8. Enough jobs to keep people employed?

- 8.1. If the projections are correct, the number of available jobs Sandwell will contract between 2006 and 2020 whilst the working age population will grow. This will mean that job availability will worsen between 2006 and 2020.
- 8.2. Figure 4 shows there still won't be enough jobs for all working age people to enter employment in Sandwell by 2020 (74 jobs per 100 working age people in 2020). This will be seven jobs less per 100 working age people than in 2006. This issue will be further exacerbated by an increase in the state pension age. As people work for longer, fewer opportunities will arise from replacement demand (created when people retire).
- 8.3. Although, Sandwell's residents can commute to other areas for work, the lack of available jobs is clearly a barrier to addressing economic inactivity. In 2009, 28.8 percent of Sandwell's residents aged 16-64 were economically inactive<sup>7</sup>, which was slightly below the UK average (23.5 percent).

<sup>7</sup> This group includes people that are not in employment, and are either not seeking work or not available to start work.

Figure 4



Source: Cambridge Econometrics employment projections – austerity scenario, ONS 2006 mid-year estimates, ONS 2008-based sub-national population projections

8.4. This issue is further exacerbated by there not being enough jobs to keep working age people employed in the region. For example, in 2006 there were only 81 workplace jobs for every 100 working age people in the West Midlands. This means that if all working age people wanted a job in the region, they would have to work outside of the West Midlands.

8.5. Compared to other Local Authorities, Sandwell's job density per 100 working age residents will fall from fourteenth best in 2006 to eighteenth best in 2020.

## 9. Fewer jobs will be available in a number of occupations

9.1. Figure 4 shows that the following occupations will lose jobs per 100 working age people between 2006 and 2020: skilled trades (-5 jobs), process plant and machine operators (-4 jobs), and elementary occupations (-2 jobs). The following occupations will offer the same number of jobs in 2006 as in 2020: managerial and senior official, and professional occupations.

9.2. The following occupations will gain jobs per 100 working age people over 2006 and 2020: personal services (+1 job), associate professional and technical (+1 job), administrative, clerical and secretarial (+1 job), and sales and customer services (+1 job).

## 10. Nearly a third of jobs will be in higher skilled occupations

10.1. Higher skilled occupations will offer the most jobs per 100 working age people in 2020 as in 2006. These occupations (managerial and senior official, professional, and

associate professional and technical) will provide 31 jobs per 100 working age people in 2006 rising to 32 jobs per 100 working age people in 2020.

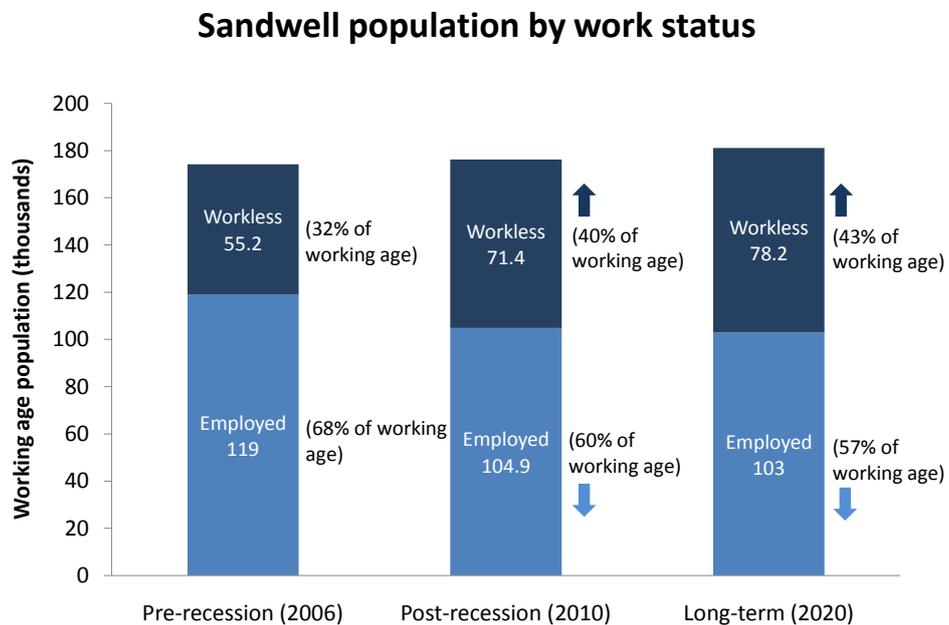
10.2. In contrast, personal services and sales and customer services will offer the least jobs per 100 working age in 2020 (6 jobs per 100 working age people each).

### 11. The employment rate will fall

11.1. As workplace jobs in Sandwell contract over 2006 and 2020, the employment rate is projected to fall from 68 percent in 2006 to 57 percent in 2020 (see Figure 5).

11.2. The number of workless residents<sup>8</sup> in 2020 will increase from 2006.

Figure 5



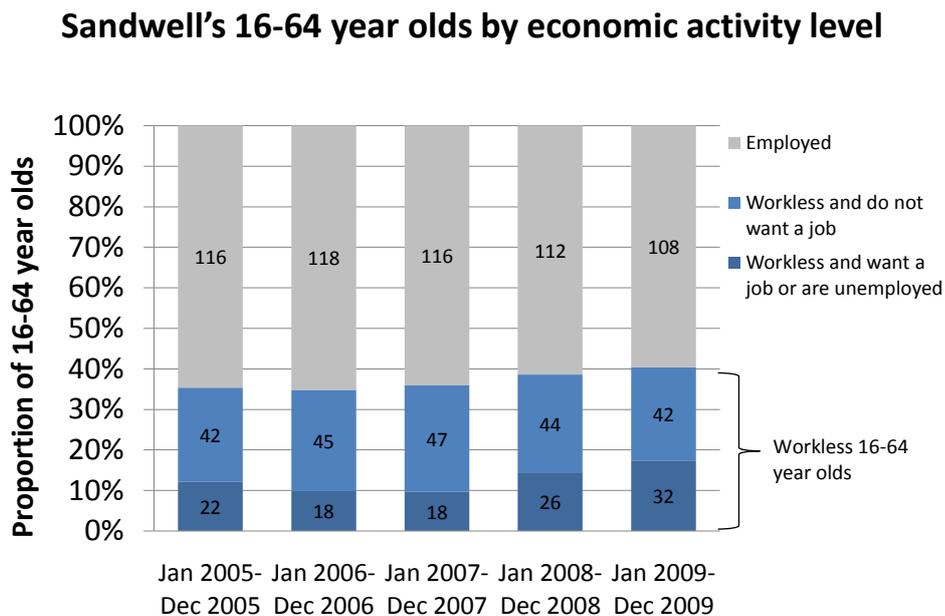
Source: Cambridge Econometrics residence based employment projections, ONS 2008 based sub-national population projections

<sup>8</sup> We have adopted the broadest definition of worklessness, which includes anyone not holding a job. This does not distinguish between those that want to work and those that don't want to work.

## 12. Although not all those without work require a job

12.1. For context, Figure 6 distinguishes between the proportion of 16-64 year olds that were workless and wanted to work<sup>9</sup> (17 percent) in 2009 and those that were workless but didn't want to work<sup>10</sup> (23 percent). This shows that although 40 percent of 16-64 year olds were workless, only 17 percent of 16-64 year olds didn't have a job but wanted one.

Figure 6



## 13. A significant number of jobs still need to be created

13.1. If this split between workless people in terms of those that do and don't want to work is applied to the 2020 projection, the oversupply of labour is less than first anticipated, but remains significant. This shows there were 24,000 workless people that wanted to work in 2006 rising to 33,000 in 2020.

13.2. This means that Sandwell needed 1,200 additional jobs to employ all of the people that wanted to work in 2006<sup>11</sup>. Sandwell is projected to need 2,700 additional jobs to employ all people that want to work in 2020.

<sup>9</sup> This includes people that are economically active but don't have a job, and those that are economically inactive but want a job.

<sup>10</sup> This includes people that are not seeking work, and those that are unavailable to start work and don't want to work.

<sup>11</sup> This figure doesn't take into account people filling jobs from outside of Sandwell. It just compares the number of jobs available in the workplace to the number of working age people that want to work. People that want to work are defined as those that are economically active and those that are economically inactive but want a job.

13.3. There are a number of reasons for people not wanting to enter into the labour market and people can contribute to the labour market without entering paid employment. For example, those caring for young children are raising the future workforce for the economy, but are classed as workless. Also, those in training are developing their skills to enable them to enter into the labour market in the future, but are also classed as workless. In addition, those who cannot enter work because they are: caring for elderly or disabled relatives, or are ill are classed as workless. Therefore, it is unlikely that we would ever reach a point where all working age people wanted a job.

#### **14. Qualification levels are improving slightly**

14.1. Figure 7 shows trends in the highest qualification held by Sandwell residents aged 16-64<sup>12</sup>. We deem those without qualifications to be unskilled and those qualified to NVQ level 4+ to have higher skill levels.

14.2. Figure 7 indicates that the number of 16-64 year olds without qualifications living in Sandwell decreased slightly over 2004 to 2009. Sandwell's rate of residents aged 16-64 without qualifications in 2009 (19.4 percent) was above the West Midlands average (16.2 percent).

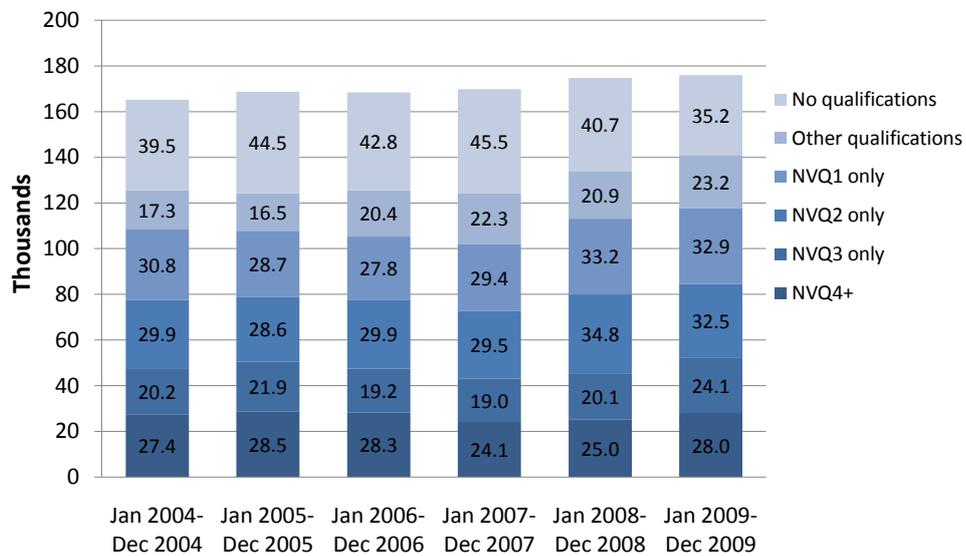
14.3. The number of residents qualified to NVQ level 4+ increased slightly in Sandwell over this period. In 2009 the proportion of residents aged 16-64 qualified to NVQ level 4+ in Sandwell (15.4 percent) was above the West Midlands average (24.8 percent).

---

<sup>12</sup> This data is only available for the 16-64 age group. Elsewhere in the report we define working age as men aged 16-64 and women aged 16-59.

Figure 7

### Sandwell 16-64 population by highest qualification held



Source: Annual Population Survey

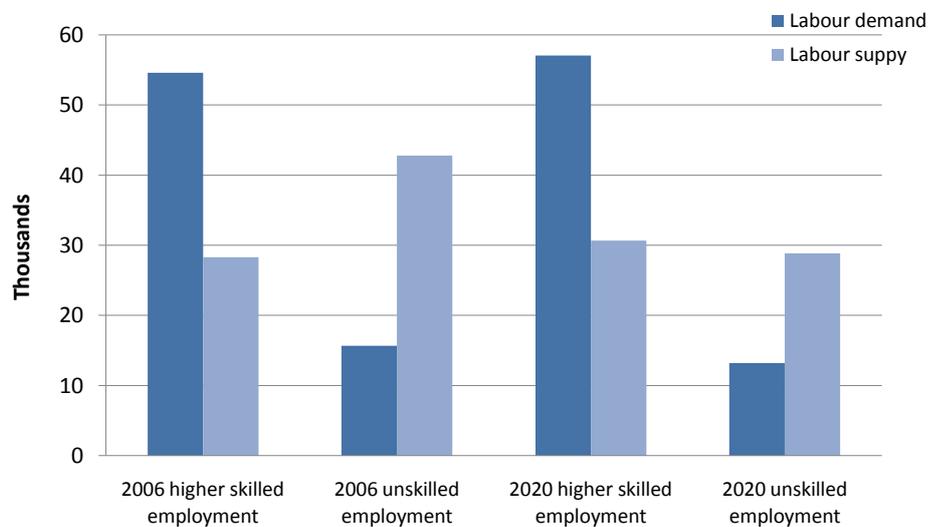
## 15. There is a 'mismatch' between skills supply and demand

15.1. Figure 8 shows the skills supply in Sandwell in 2006 compared to skills demand. It also shows how skills supply and demand will compare in 2020 *if* current trends in qualification levels continue<sup>13</sup>.

<sup>13</sup> This Figure is an approximation. The data was calculated by applying the average annual rate of change at each qualification level (over 2004 to 2009) to future years. Therefore it does not take into account population projections.

Figure 8

### Mapping skill supply against labour demand



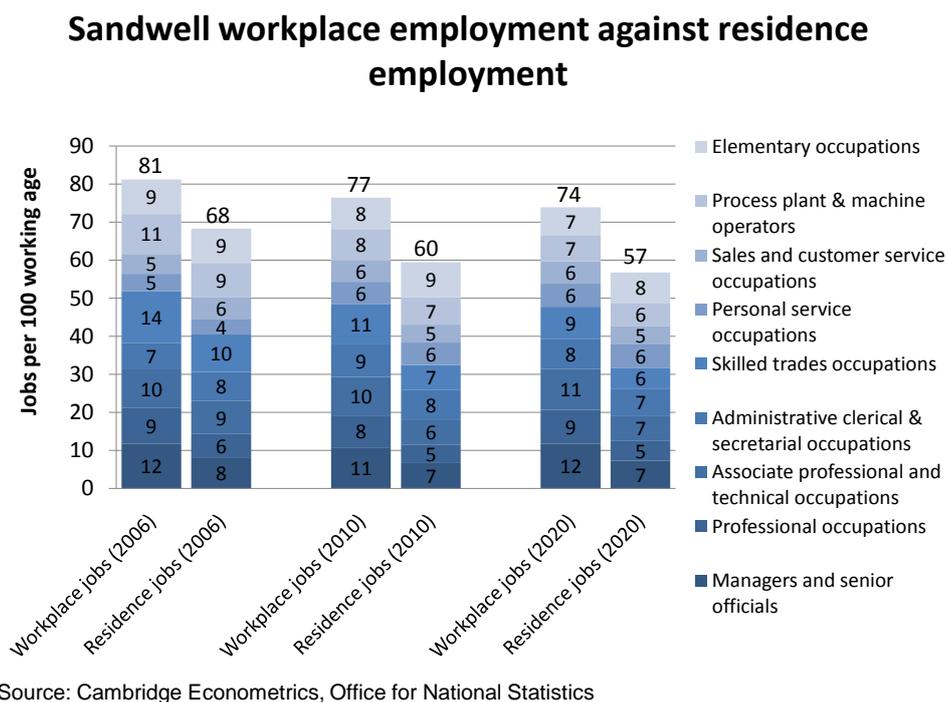
Source: Cambridge Econometrics employment projections and Annual Population Survey – residence based

- 15.2. Figure 8 shows there were more higher skilled jobs in Sandwell in 2006 than higher skilled residents. This suggests that people commuted into Sandwell for higher skilled work.
- 15.3. In 2006, there were more unskilled people than unskilled jobs in Sandwell.
- 15.4. The number of people qualified to NVQ level 4+ is projected to increase up to 2020 but there will still won't be enough higher skilled residents available to fill all higher skilled jobs. The number of 16-64 year olds with no qualifications will fall but there will still be more unskilled people than unskilled jobs by 2020.

## 16. Skills imported from other areas

- 16.1. Figure 9 shows which jobs were on offer in the workplace in 2006 by occupation per 100 working age residents, compared to the jobs held per 100 working age residents living in Sandwell. It also looks at how this will change up to 2020. This helps to indicate where skills mismatches are and will occur.
- 16.2. Figure 9 shows there were more residents employed<sup>14</sup> in the following occupations in 2006 than workplace jobs available: administrative, clerical and secretarial, and sales and customer services.
- 16.3. The number of residents employed in elementary occupations was equal to the number of workplace jobs available. There were more workplace jobs than residents employed per 100 working age residents in the following occupations: managerial and senior official (+4 jobs), professional (+3 jobs), associate professional and technical (+1 job), skilled trades (+4 jobs), personal services (+1 job) and process plant and machine operators (+2 jobs). This indicates that people commuted into Sandwell to fill these jobs.

Figure 9



- 16.4. By 2020, residents will only commute for work in elementary occupations. The number of residents employed in personal services occupations in 2020 will match the number of workplace jobs available.

<sup>14</sup> It is important to note that this doesn't necessarily mean local residents filled all of the other jobs available in the local labour market. The residence based data doesn't record which area the resident is working in, just the area that they live in. Therefore, residents may still be commuting to other areas for employment.

16.5. There will be more workplace jobs available than residents employed in the following occupations: managerial and senior official, professional, associate professional and technical occupations, administrative, clerical and secretarial, skilled trades, sales and customer services and process plant & machine operators. Commuting into Sandwell will be highest for higher skilled occupations.

## **17. Conclusions**

- 17.1. Overall workplace employment levels will fall in Sandwell and the working age population will grow. This will mean that job availability in 2020 will worsen from 2006 and there still won't be enough jobs available for all working age people.
- 17.2. The occupational structure of the labour market will shift. The following occupations will gain jobs: personal services, sales and customer services, administrative, clerical and secretarial, managerial and senior official, and associate professional and technical. All other occupations will contract, with skilled trades losing the most jobs. Higher skilled occupations will offer the most employment.
- 17.3. There is a mismatch between the supply and demand of skills in Sandwell's labour market. Sandwell has more higher skilled workplace jobs than higher skilled residents and slightly more unskilled residents than unskilled jobs.
- 17.4. Over 2006 and 2020, the supply of higher skilled residents will increase but there will still be more higher skilled jobs than people by 2020. The number of unskilled people is also projected to decrease but there will still be more unskilled people than jobs in 2020.
- 17.5. Employment levels in 2020 will be lower than in 2006, and worklessness is expected to increase.