

Manchester City Council Report for Information

Report to: Economy Scrutiny Committee – 6 March 2019

Subject: The impact of low skills on resident's ability to enter the labour market and sustain quality work

Report of: Head of Work and Skills

Summary

Manchester's working age population is now better qualified than ever before. Improved school performance means that a higher proportion of young people have the skills they need to sustain work whilst high levels of university graduates staying in the city for employment mean that the city has a pipeline of highly skilled residents.

Manchester's economy is also a success and has seen rapid growth over the last two decades which is set to continue into the future with substantial numbers of new jobs being created that will benefit residents and those that commute to work in the city.

However, Manchester still has a high proportion of its working age population who have no or very low qualifications over half of whom are not in work. Having no qualifications is an indicator of social exclusion, as is poor health, and there is a strong correlation between these two factors. Of the working age population 50 - 64 year olds are most acutely affected by this, presenting a big challenge for the city's inclusive growth agenda.

Those who work in Manchester, benefit more from the City's success than those who live in it and there is work to do to close the skills and earnings gaps between Manchester residents and those who work but don't live in the City. Adult Education has a part to play in this and the Manchester College and MAES deliver programmes for adult learners, which result in multiple positive outcomes for the learners they engage.

This paper explores these issues in more depth before outlining the emerging Adult Education and Skills Plan, which will aim to address the skills challenges faced in the city by residents, employers and the skills providers.

Recommendations

The Committee is requested to note and comment on the report and in particular provide input into the emerging Adult Skills & Education Plan.

Wards Affected: All

Alignment to the Our Manchester Strategy Outcomes (if applicable)

Manchester Strategy outcomes	Summary of how this report aligns to the OMS
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	It explores the nature of the jobs that have been created in the city in recent years.
A highly skilled city: world class and home grown talent sustaining the city's economic success	It identifies some of the barriers that residents face in accessing employment opportunities in Manchester and outlines how the Manchester College and the Manchester Adult Education Service are enabling residents to develop their skills. It also outlines the emerging Adult Skills and Education Plan which will help to address skills challenges in Manchester and capitalise on forthcoming opportunities, including those which will be brought about by the devolution of the AEB to GM.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	It recognises that adult skills and educations have a key part to play in social integration, as well as with preparing residents for employment.
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

Contact Officers:

Name: Angela Harrington
Position: Head of Work and Skills
Telephone: 0161 234 3030
E-mail: a.harrington@manchester.gov.uk

Name: Dan Shercliff
Position: Work and Skills Specialist
Telephone: 0161 234 1504
E-mail: daniel.shercliff@manchester.gov.uk

Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents

are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

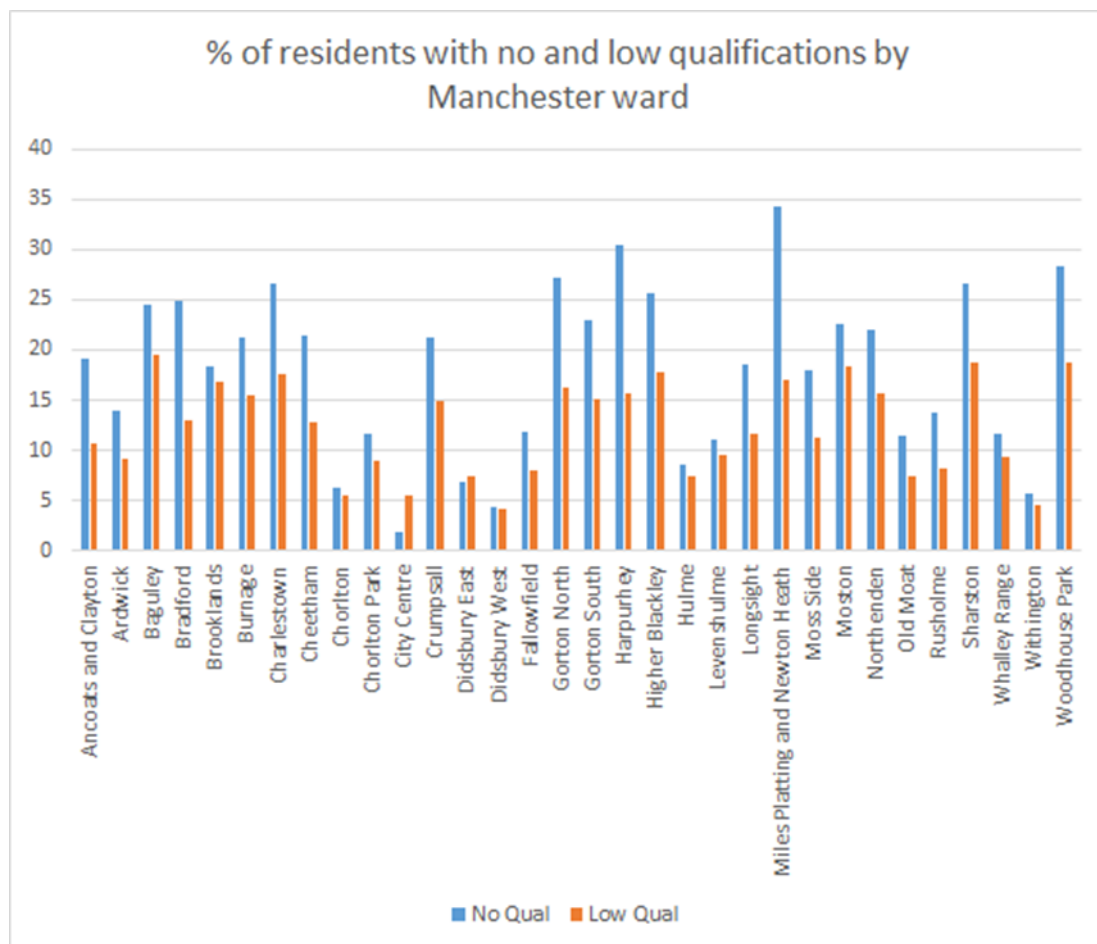
- Manchester Work and Skills Strategy 2015-2020
- Manchester Adult ESOL Strategy 2016
- Manchester Adult English for Speakers of Other Languages (ESOL) Strategy - update 2018
- The adult skills gap: is falling investment in UK adults stalling social mobility? - Social Mobility Commission 2019

0 Introduction

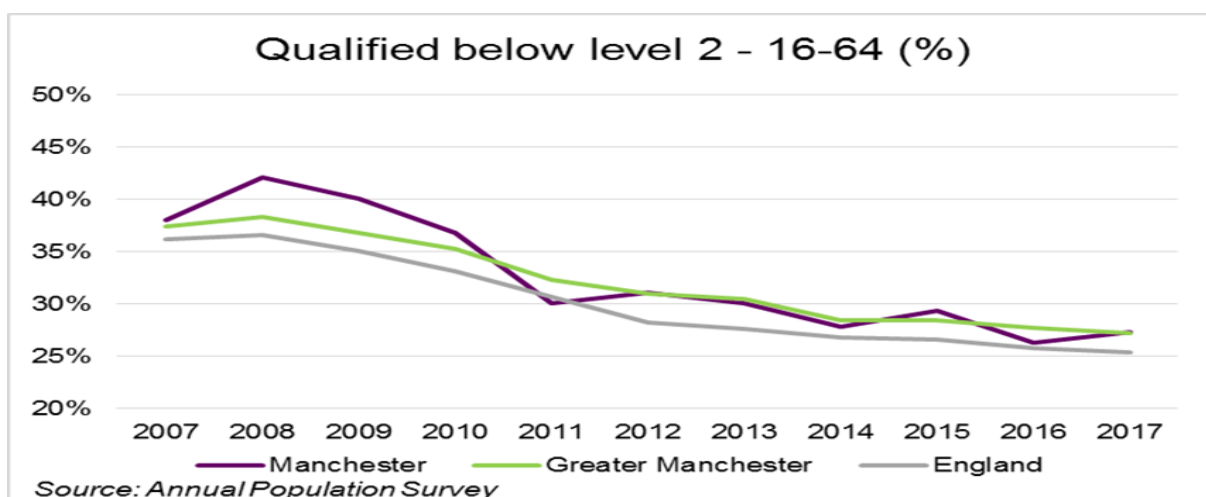
- 1.1 Manchester is now a global city which offers world class opportunities for those who choose to live and work in it. Many sectors are thriving and unemployment is at its lowest since the mid-1970s. However, many Manchester residents continue to find themselves excluded from the labour market or unable to find secure and stable work.
- 1.2 This paper outlines the link between low level skills and employment in Manchester before looking at the changing nature of the city's labour market and the impact that having low qualifications has on being successful within it.
- 1.3 The paper goes on to discuss the extent to which adult education can enable people to be socially mobile and secure better quality employment than they otherwise would have. It highlights the works that the Manchester College and MAES are doing in this regard. Finally, the paper outlines the emerging Adult Skills and Education plan that will build on the effectiveness of adult education in the city.

2.0 Skills Levels in Manchester

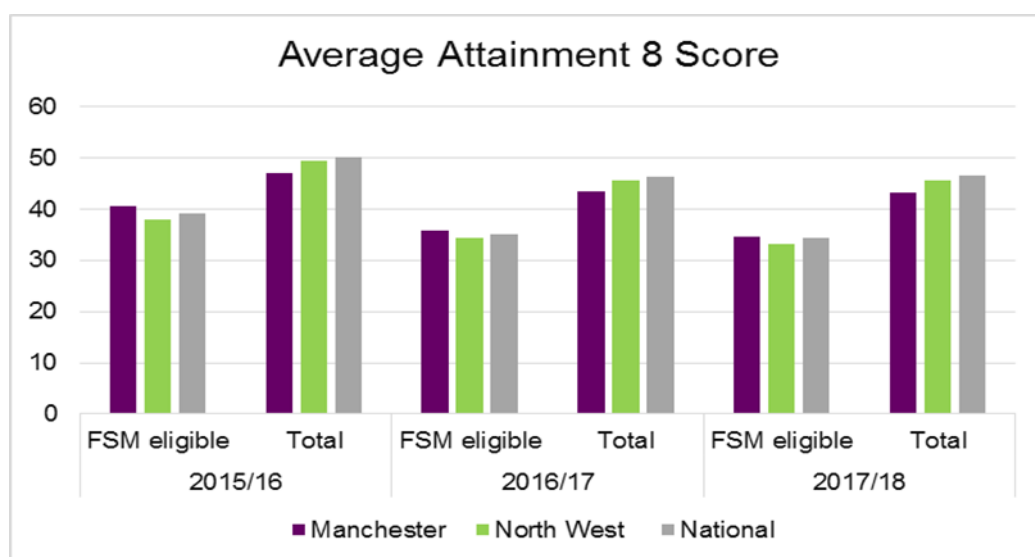
- 2.1 For the purposes of this report, qualifications will be taken as a proxy measure to indicate skill levels. It is recognised that this is imperfect as it does not take account of un-certified skills. However, there is no meaningful way of observing the competency levels of a population by other means. Since employers also use qualifications as an indicator of skills, the correlation between qualification levels and success in the labour market mean the measure is sufficiently valid to draw some meaningful conclusions.
- 2.2 The most up to date information at ward level relating to the qualifications that residents hold were those recorded at the last census (2011). Whilst the proportion of residents who hold qualifications has changed significantly since that time, the census data still gives an indication of where residents who hold relatively low qualifications live. Miles Platting and Newton Heath and Harpurhey were, at the time of the Census, the wards with the highest concentrations of residents with no and low qualifications. They remain the wards with highest proportion of people on out of work benefits, suggesting immediately that these variables are linked.



- 2.3 Qualifications at level 2 (approx GCSE equivalent) are considered to be the ones which indicate that an individual has the necessary skills to secure and sustain employment. There has been a positive trend in Manchester in recent years. The proportion of the population who do not hold qualifications at level 2 or above has fallen from 42% in 2008 to 27% in 2017. However, it remains above the national average (25%). Furthermore, there continues to be a larger gap between the proportion of the population who have no qualifications at all in Manchester as compared to the national average (11% in Manchester compared with 8% nationally).



- 2.4 The most significant factor which has led to this pattern is that as poorly qualified older members of the working aged population turn 65, they are being replaced by more highly qualified school leavers and graduates. An example is that 40.9% of 50 - 64 year olds in Manchester have no or very low qualifications whilst this applies to only 11.7% of 16 - 24 year olds. The high proportion of 50 - 64 year olds without qualifications is a significant issue in the city. It is becoming more of an expectation that people of a working age hold qualifications and residents within this age bracket have up to seventeen years still to work before reaching state pension age.
- 2.5 The reducing number of 16 - 24 year olds who have no or very low qualifications can in part be attributed to the improving performance of Manchester schools. The Attainment 8 score considers the average score across English Baccalaureate subjects at GCSE and for Manchester schools, the gap has closed as compared to the national average from 3.1 in 2014/15 to 1.4 in 2017/18. Furthermore, when looking at the performance of residents who receive free school meals (FSM), Manchester Schools consistently outperform other schools both regionally and nationally suggesting that Manchester Schools are particularly effective at supporting low income pupils.

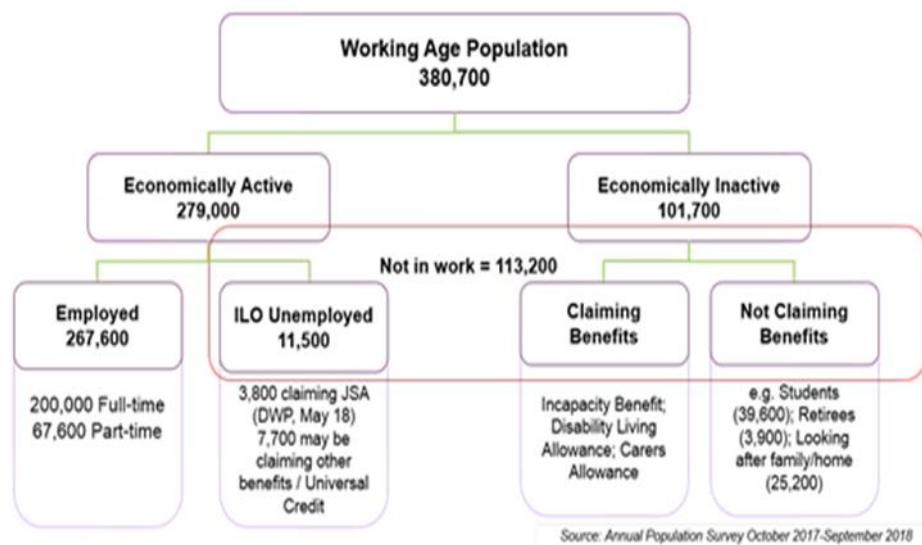


- 2.6 As well as there being a decline in the proportion of residents who have low or no qualifications, there has been increase in the proportion of the Manchester working age population who have higher level qualifications. The most significant contributing factor to this is the retention of graduates in the city. In January 2019, over 73,000 students enrolled at Manchester's two universities. The proportion of graduates indigenous to Manchester that entered employment in the city within 6 months of graduation ranged between 36% and 42% over the past 5 years. This has led to Manchester being above the national average for the proportion of residents who hold qualifications at level 4 and above by 1.6%. Whilst this is positive, it leads to a more competitive labour market and compounds the problem for residents with low/no qualifications.

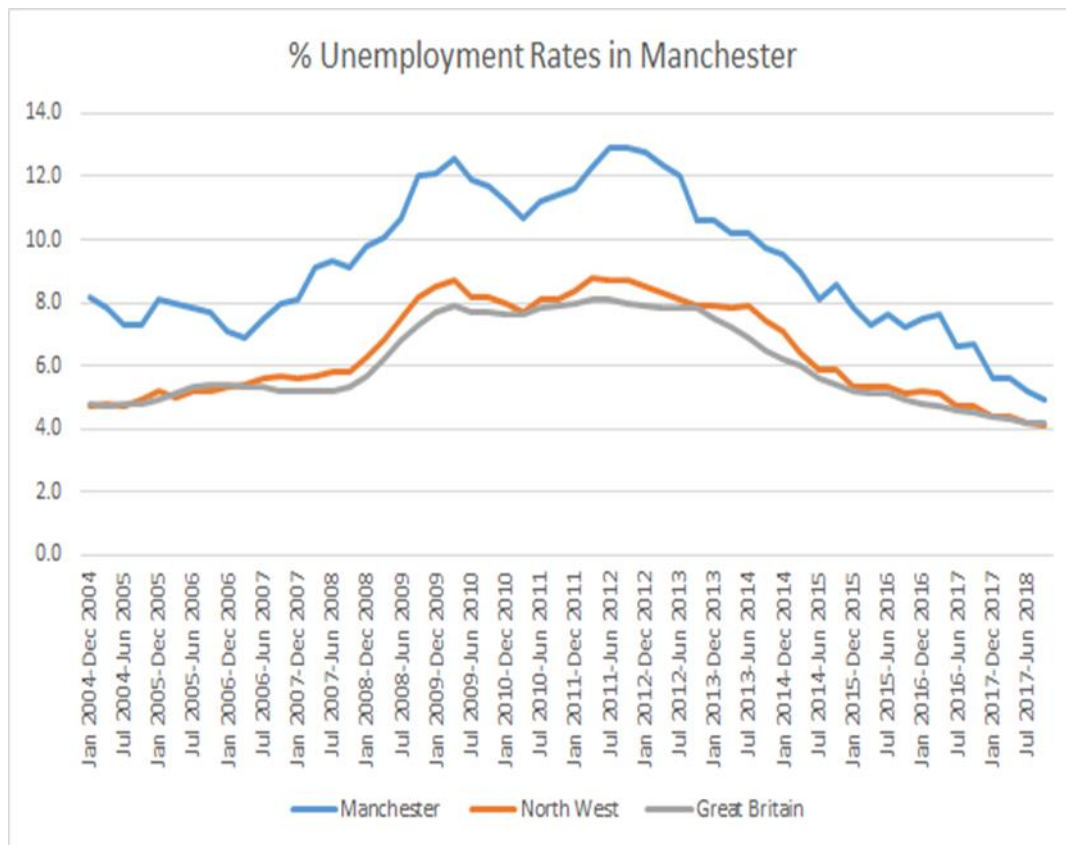
- 2.7 Manchester's diversity also has a positive impact on the proportion of its population who have aspired to and attained qualifications and skills, which have enabled them to compete in the labour market. At the last census there were 153 languages reported to be the primary languages of Manchester residents. 15% of Manchester's adult population, or nearly 70,000 people, declared a language other than English as their main language. Of this group, around 80% reported that they speak English well or very well whilst 17% reported that they cannot speak English well (circa 12,000 people), and 3% (circa 2,400 people) cannot speak English at all. Despite slowing net migration, those for whom English is a barrier to entering the labour market, still presents a challenge for the city in 2019. It is one which is closely linked to issues of integration as well as to issues of employment and productivity.

3.0 Unemployment and Economic Inactivity in Manchester

- 3.1 About 70% of Manchester's population are of working age. Of these, 73.3% are Economically Active meaning that they are either employed or unemployed but have been looking for work and would be available to start within a two-week period. 26.7% of Manchester's working age population are Economically Inactive meaning that they are not in work and that they are not seeking work. Students make up the largest proportion of economically inactive residents in the City but there are over 30,000 Manchester residents who are out of work because of an underlying health condition.



- 3.2 Unemployment rates in Manchester have fallen steadily since 2012 and are now at the lowest they have been since 1975 (4.9%). Although unemployment in Manchester remains slightly higher than the national rate (4.2%), the gap has narrowed significantly in recent years. The graph below shows unemployment rates since 2004 and demonstrates how closely linked unemployment rates are to national and local economic performance.

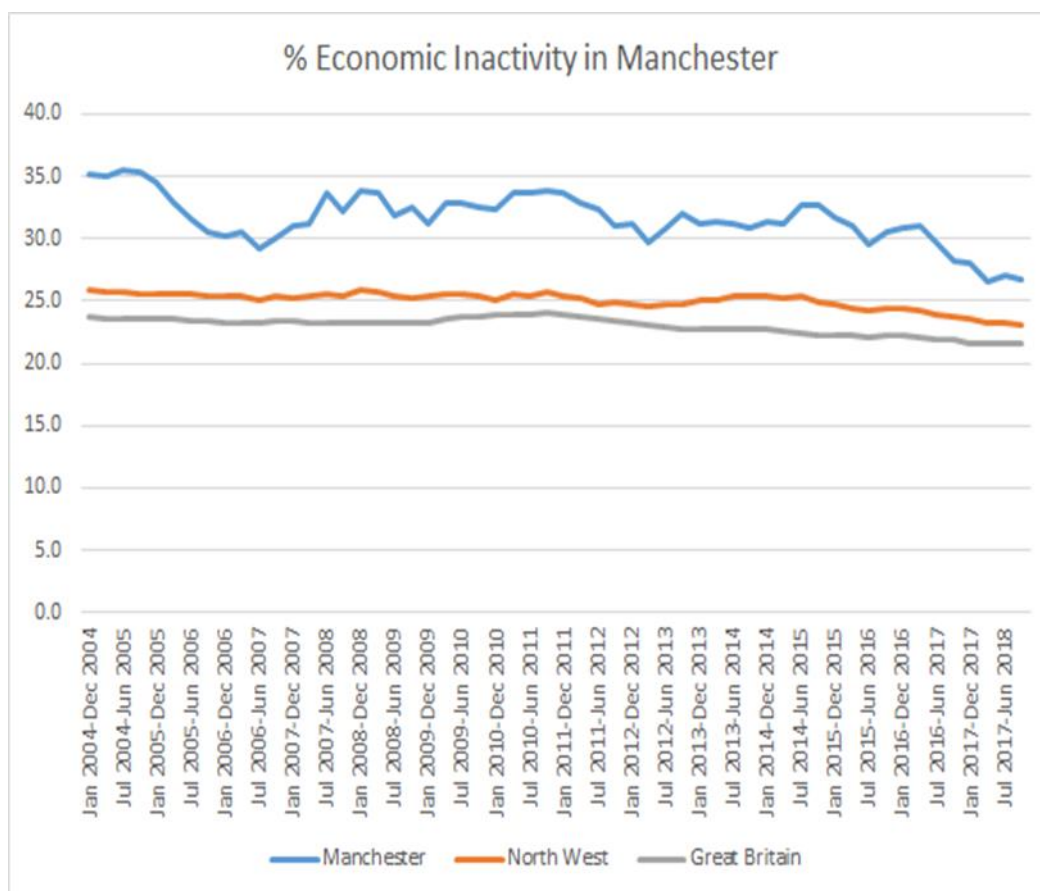


- 3.3 Although Manchester also has a higher proportion of its population that are economically inactive than regionally or nationally, by far the most significant reason for this is Manchester's large student population, which is 13.6% higher than the national figure.

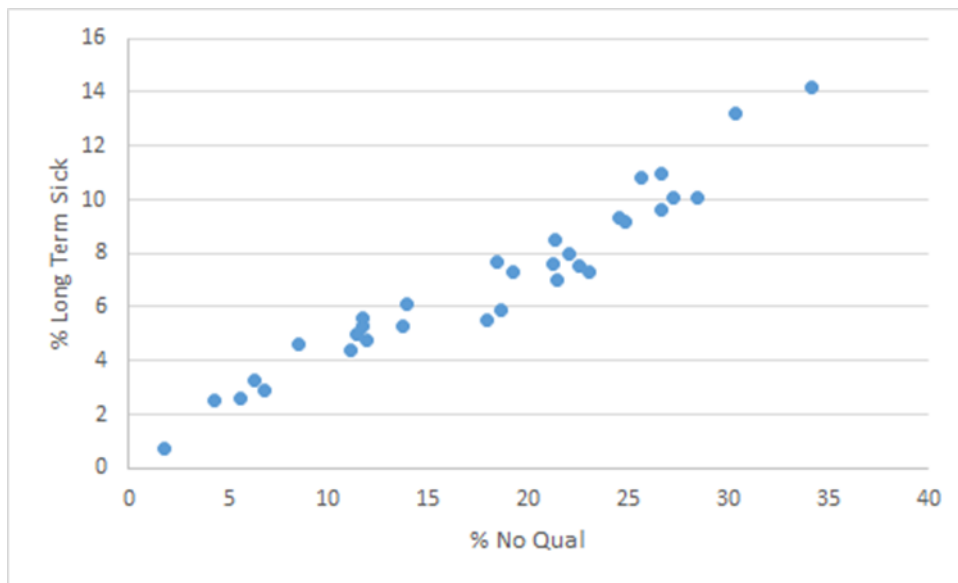
	Manchester (level)	Manchester (%)	Northwest (%)	Great Britain (%)
Total	101,700	26.7	23.0	21.5
Student	39,600	38.9	25.3	27
Family	25,200	24.8	22.6	23.9
Temporary sick	3,500	3.4	2.2	2
Long term sick	22,700	22.4	26.4	22.4
Retired	3,900	3.8	13.7	12.9
Other	6,800	6.7	9.6	11.2

- 3.4 Economic Inactivity rates do not respond to the economic cycle or demand for labour in the same way. Since 2004 economic inactivity rates in Manchester have fluctuated slightly with the 4% drop since 2016 being associated with welfare reform and some people who were economically inactive being reclassified as unemployed, while others will have moved into pension age.

- 3.5 The proportion of the population who are economically inactive but want a job also does not change in relation to demand for labour. In Manchester this applies to 21.4% of economically inactive people, or 21,800 people.



- 3.6 Skills levels as indicated by qualifications certainly have an impact on how residents may fair in the labour market. In Manchester, over half of the working age population who have low or no qualifications are not in employment (41,000 out of 78,000). In Greater Manchester, the employment rate of those with higher level equivalent qualifications (L4+) is 84% whilst only 37% of people with no qualifications is in employment. However, 39% of unemployed people have level 3 and above qualifications (19% have a level 4 qualification). At the time of the last census, unemployment and the proportions who had no qualifications at ward level showed little correlation. It is however recognised that the reduction in both of these variables will have led to a different picture.
- 3.7 Census data also shows little correlation between economic inactivity rates and qualification levels when all categories of economic inactivity are included. However, there is a distinct correlation when looking at the relationship between proportions with no qualification and proportions who are economically inactive due to long term sickness at ward level.



- 3.8 The number of people who are economically inactive due to long term sickness has dropped from 26,200 in 2011 to 22,700 in 2018 but it remains a significant challenge in Manchester (note that whilst this figure accounts for the majority of ESA claimants in the city, ESA claimants who are 'temporary sick' and classed as 'other' are excluded.) Again, it is 50 - 64 year olds within the working age population who are most affected here, being the most likely to be long term sick as well as being more likely to not hold qualifications. Overall economic inactivity rates in Manchester are higher than the national rate (31% compared with 26%) and a high proportion of this can be attributed to sickness.
- 3.9 These interrelated factors demonstrate that for many, a lack of skills in itself is not the single barrier to employment. Rather, low and no qualifications are one indicator of social exclusion along with others, such as health. Therefore, approaches which seek to address low level skills in isolation are unlikely to have an impact on those who might benefit from them most.
- 4.0 Manchester's Labour Market and Skills Demand**
- 4.1 Manchester's economy is undoubtedly a success story and has seen rapid growth in the last twenty years which is set to continue. 85,000 jobs were created between 1996 and 2016 and there are a further 65,000 predicted by 2036. Furthermore, the total number of jobs in Manchester is now 1.5 times more than there are residents with the city being the home of 30% of Greater Manchester's jobs.



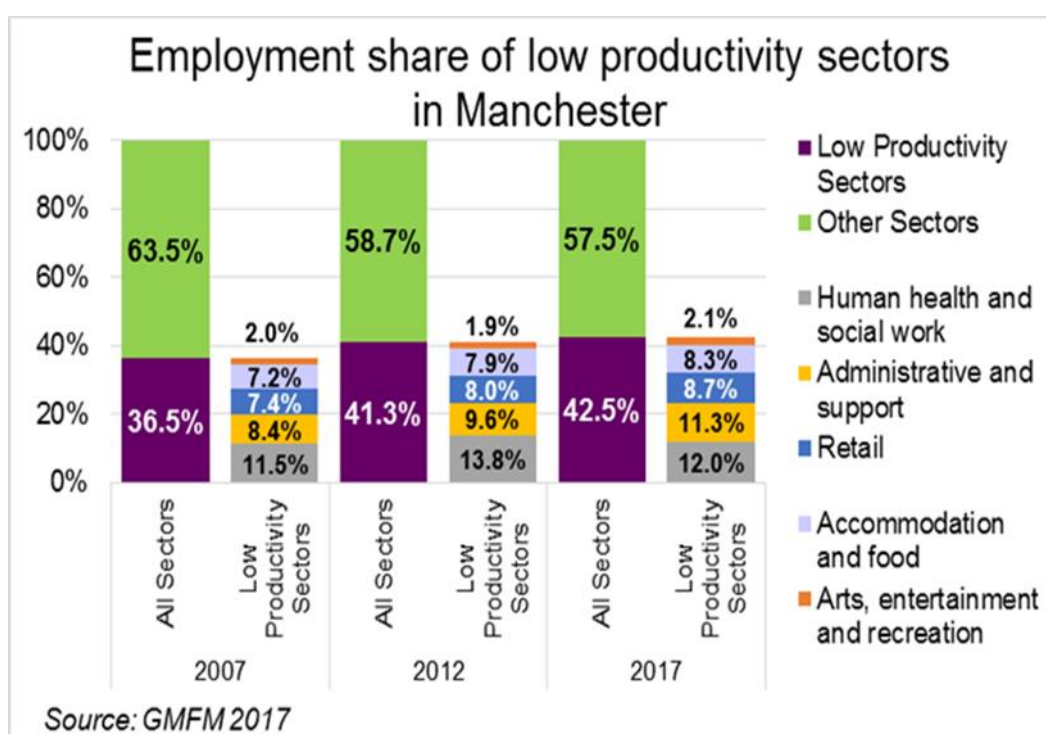
- 4.2 Whilst the increase in employment opportunities in Manchester is broadly positive, the nature of work which has become available is mainly 'non-traditional'. In contrast to most places in the country, there has been some steady growth in full time permanent employment. However, self-employment has grown by 70% since 2008 (to 13% of total employment) and part-time employment has grown by 64% (to 25.3% of total employment) in the same period.
- 4.3 Many of these jobs are poorly paid and in work poverty has become an increasing problem for Manchester residents. Around 30% of Manchester residents earn below the living wage with 18,600 residents earning the minimum wage. In three out of five Manchester constituencies, the proportion of people of these low rates of pay is higher than it is nationally. In Gorton the rate is more than double the national proportion. Furthermore, Manchester residents are less well paid than those who work in the city earning around £5-£6,000 less per year on average.

Workers on the National Minimum Wage and National Living Wage, by home parliamentary constituency, 2018

Constituency	No.	% of constituency's workforce
Manchester, Gorton	5,100	16%
Blackley and Broughton	4,100	10%
Manchester Central	4,000	8%
Manchester, Withington	2,500	6%
Wythenshawe and Sale East	2,700	6%
England	1,590,600	7%

Source: Number and Proportion of Workers on the National Minimum Wage and National Living Wage, by home parliamentary constituency, 2018, BEIS

- 4.4 Low level earnings for Manchester residents come as a result of them being concentrated in lower skilled occupations and low productivity sectors; 39% of residents work in low skilled roles compared with 29% of those who work in the city. Furthermore, the overall employment share held by low productivity sectors has increased to 42.5%.



- 4.5 This increase of low skilled/low productivity work has led to a subsequent increase in the proportion of people who are employed below their skill level. Over a third of enterprises in Manchester (35%) say that they have staff who have qualifications which are more advanced than their role requires and over a quarter (26%) say that over 20% of their workforce fall within this category. This leads to people with low level qualifications having to compete in the labour market with more highly qualified people for low skill level jobs.
- 4.6 However, some sectors report particular skills shortages. Notably, according to Manchester Digital's latest annual skills survey, 27% of digital businesses in

Manchester had to turn away business as a result of not being able to find the right talent. Meanwhile, health and social care and construction are the industries which are most affected by having an ageing workforce and not being able to meet replacement demand.

- 4.7 Furthermore, job forecasts across all sectors continue to project that the roles which will be created in the coming years will require applicants to have high level skills. Retail, creative and digital and financial and professional services in particular highlight an increasing need for management and leadership skills. For people who have low and no qualifications, many of these roles will be an unrealistic aspiration. While there is still a need for entry level jobs, lower skilled roles in sectors with large employment bases in the City, such as retail will be much more vulnerable as digital disruption has a greater impact on low and intermediate skilled roles. However, if the skills of those who work in Manchester were better utilised and people were more consistently employed in appropriate level roles, this would go some way to meeting future need whilst reducing unnecessary competition for low skilled employment.
- 4.8 Manchester residents are undoubtedly going to need high level technical skills if they are to succeed in the future labour market. However, the demand for effective 'soft skills' should not be underestimated. For example, 'communication skills' are the most commonly cited as being desirable in job adverts. Many sectors also report that it is soft skills rather than technical skills which are their biggest shortage. If they are to compete in the labour market, residents not only need to be suitably qualified but also need to have the ability to interact effectively, keep themselves organised and solve problems independently.

5.0 Adult Education and Social Mobility

- 5.1 In January 2019, the Social Mobility Commission published a report which looked at the skills gap in Britain and the role that adult education and training might be able to play in closing it. It considered training that was employer funded, participant funded and government funded. It found that if the total spend on training was put together then government funding, the only type of funding to focus on the poorest adult with the lowest qualifications, made up only 7% of total spend. Moreover, 82% of this spend is invested by employers in those with managerial, professional and associate professional roles. It found that graduates are over three times more likely to participate in training than those with no qualifications (30 per cent vs. 8 per cent in 2017), and that half (49 per cent) of adults from the lowest socioeconomic groups have received no training since leaving school.
- 5.2 There exists then a virtuous circle, in which those who might benefit most from skills development are the least likely to receive education and training. Moreover, they found that this was intergenerational and that adults whose parents worked in professional or managerial occupations were more likely to participate in training, no matter what their own occupation is, than those whose parents worked in lower-skilled occupations. When looked at in this

way therefore, education and training is currently compounding the social exclusion of those who have low skills.

5.3 The report also brought together research which looked at the impact of adult education on social mobility and earnings. It found that while inconclusive in the short-term that the positive effect on social mobility of gaining new qualifications started to become apparent when looking at data over a medium-term period of around 5 years. This is because transitions into different types of employment can take a long time for some learners. It is important that this is recognised when looking at the value which is added by adult education, as measuring outcomes over a time period which is too short may miss some of its impact.

5.4 The report looked at the particular impact of different types of adult skills provision and found that:

- Higher level skills and qualifications have a greater impact on social mobility as measured by earnings (especially at Level 3+)
- A vocational/academic divide that means that, even at the same level of qualifications, returns on academic qualifications are higher than those related to comparative vocational education, with the possible exception of qualifications at the highest levels.
- Training that is work-related provides a higher earnings return.
- Basic skills can impact on job entry but not progression. Also they may benefit speakers of non-English language more than English speakers.

6.0 Adult Education Provision in Manchester

6.1 The Adult Education Budget (AEB) is the most substantial source of funding for adult education in the City, which aims to enable adults to gain the skills and qualifications they need in order to access employment. In recent years the AEB has funded around 70 organisations each academic year to deliver courses within Manchester. Across Greater Manchester there are over 300 organisations, which have been delivering AEB provision each year.

6.2 For the past few years, the total amount of AEB funding which has been used to deliver provision in Manchester is about £24 million with about 80% of that going to the Manchester College and Manchester Adult Education Service (£11.6 million and £7.7 million respectively). £3.8 million of MAES' funding comes in the form of a grant for community learning as opposed to the formula funded methodology which is applied to the rest of the budget. This part of the funding is intended to target individuals who might not engage with more formal types of learning and has the flexibility to meet learners needs without the need to undertake qualifications.

6.3 Combined, the college and MAES accounted for 85% of enrolments (42, 859 of 50,315) in the last academic year with training providers delivering to the other 15%. When the budget is devolved to Greater Manchester in 2019/20, one of the initial objectives, is to dramatically reduce the number of organisations that are delivering provision using AEB. The GMCA is currently

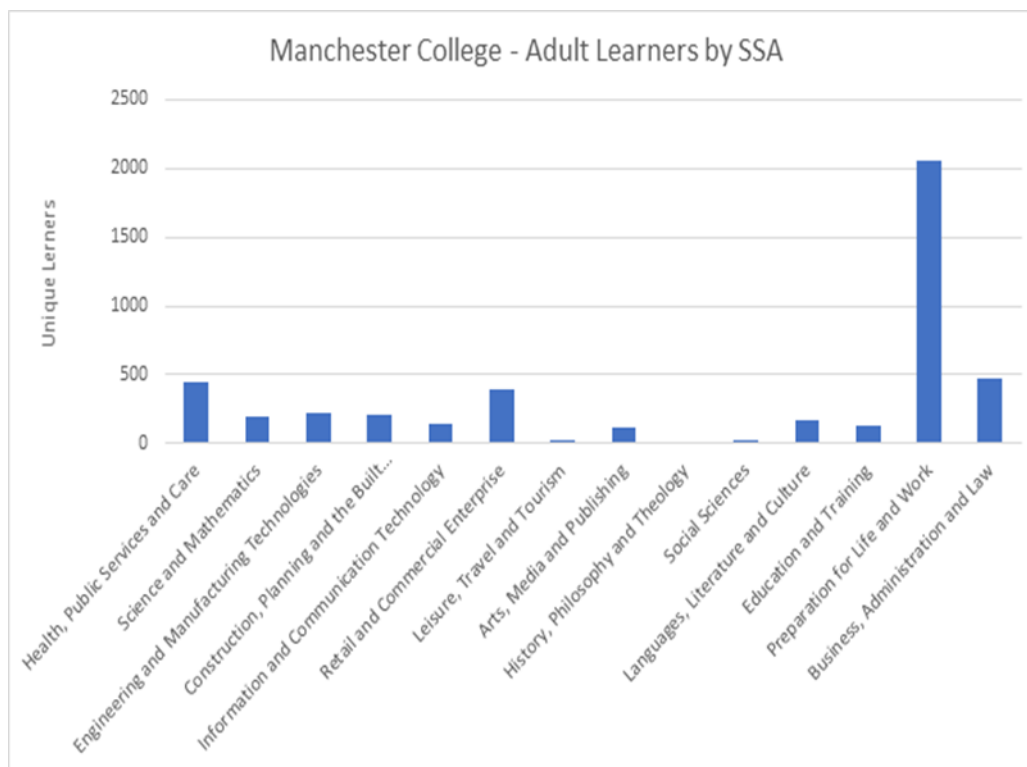
coming to the end of a tender process to procure private training providers in GM.

- 6.4 About half of the entire AEB budget is spent on courses categorised as 'Preparation for Life and Work' which includes Functional English and Maths, ESOL and employability. This rises to 61% when the community learning grant is excluded.
- 6.5 In Manchester, 86% of AEB enrolments are at Entry Level, Level 1 or the non-regulated equivalent. Since level 2 is considered to be the level which is needed for individuals to sustain work, it is clear that the current focus of the budget is more on engaging those with low skills rather than providing learning which leads more directly into employment.

7.0 The Manchester College

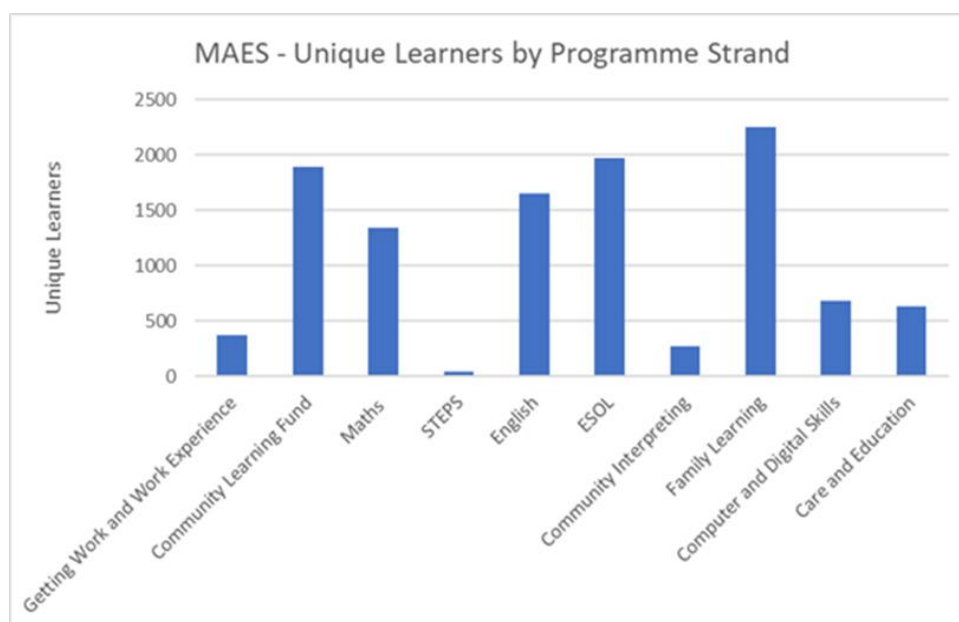
- 7.1 The college offer a wide range of programmes for adult learners from HE courses to short employability courses but an initial look at all adult learners across their provision demonstrates the significant weighting towards Preparation for Work and Life programmes which makes up 45% of the provision (2063 out of 4590). A substantial amount of these learners are second language learners studying towards Functional Skills Qualifications.
- 7.2 It is important to note the difference between enrolment figures and unique learner figures. The college has developed substantial programmes for many of their adult learners which enable them to gain multiple qualifications, with the aim of enabling them to progress more quickly due to the programme's intense nature. For example, ESOL learners will also have the opportunity to undertake Employability Skills qualifications, as well as mathematics and digital qualifications.

When looking at unique learners by Sector Subject Area, the college's intake for 2018/19 is as follow:

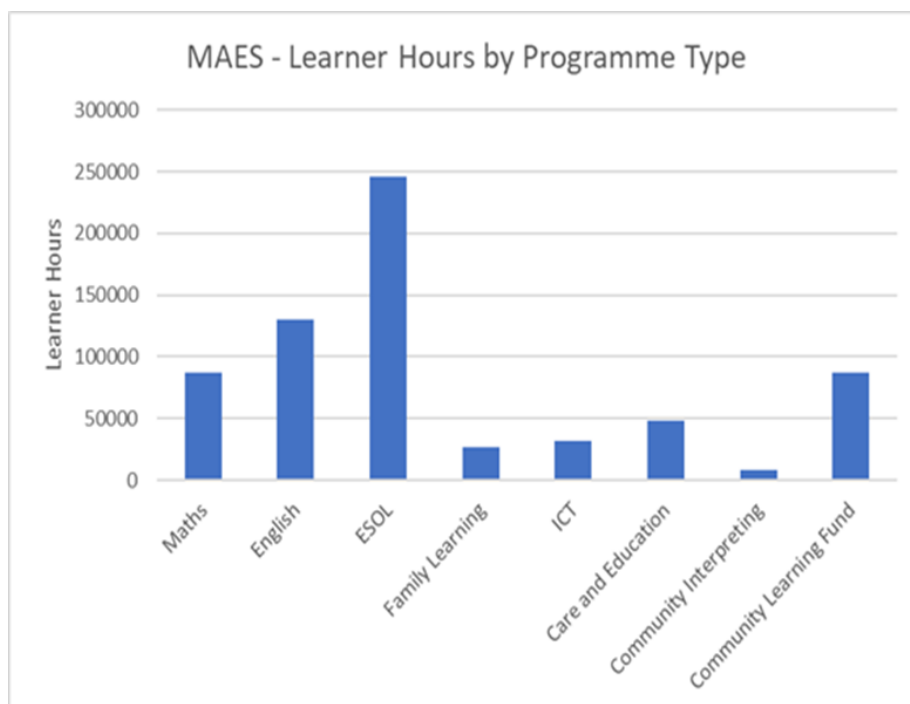


8.0 Manchester Adult Education Service

- 8.1 The MAES offer is divided into distinct strands which align with key priorities for Manchester and in the last academic year the service enrolled 8690 unique learners onto a range of courses. Around 90% of this provision falls into the Preparation for Life and Work SSA which includes ESOL, Functional English and Maths and Community Learning. The exceptions to this are GCSE English and maths, the service's courses in care and education (classroom assistant courses) and the STEPS programme which is 'High Needs' provision for young people with learning difficulties. It is therefore more useful to look at the offer by the strand that it falls into within the MAES programme:



- 8.2 Many of MAES' courses are short in hours and are designed to engage learners in informal learning through the service's community learning budget. The community learning offer includes family learning, introductory non-accredited courses and a range of subcontracted provision, which enables the service to broaden its reach with engaging priority learners. Although community learning accounts for high volumes of learners, when looking at the strands of the provision in terms of 'learning hour' rather than the number of individuals engaged, it becomes clearer which are the most substantial programmes for the service.



- 8.3 A year after learners have completed a course with MAES, the service contacts them in order to ascertain what they are now doing. The data for the cohort that completed their course in 2016/17, is based on a 54% sample of all learners enrolled that year.

The 2016/17 cohort were tracked a year after their course and 69.16% of them were found to have progressed to a positive destination, of whom 43.56% were in paid employment. This academic year the service has also piloted a new intensive employability course in partnership with Jobcentre Plus which is entitled Boost Your Skills. This two-week course focuses on self-awareness skills and confidence building. Outcomes on the course so far have been good, with 17 of 22 participants now having moved into employment. This pilot is yet to be fully evaluated but it appears that this may be a model which could benefit a more substantial number of learners going forward.

9.0 The Manchester Adult Skills and Education Plan

- 9.1 There is undoubtedly some high quality skills provision available for adults in Manchester. However, if adult education is to have a more significant impact

on the social mobility of Manchester residents and productivity of businesses in the city, there is a need for a more cohesive skills system which is working towards some well-defined priorities. Therefore, the Work and Skills team have undertaken to develop an Adult Skills and Education Plan. This is timely, not least because the devolution of the Adult Education Budget presents an opportunity for increased autonomy for Greater Manchester in terms of what provision is commissioned and an opportunity for the City to shape a place based approach, which better meets our needs.

9.2 The plan will initially outline the skills challenges and opportunities for Manchester residents, for businesses and for the system itself. A set of priorities and objectives will then be co-produced by a group of stakeholders who will take ownership of the plan's delivery.

9.3 An initial meeting has already taken place between these stakeholders at which the challenges and opportunities were discussed and refined. The next step will be to introduce these to a wider audience at the Work and Skills Conference (4th March) at which there will be a wider consultation to ensure that the challenges are the correct ones. Following this the group will come back together to agree priorities and objectives. Whilst the following are subject to change, it is anticipated that the plan will aim to:

1. Ensure that the skills offer for Mancunian adults is well communicated and easy to access.
2. Target priority groups to ensure they are well represented within the adult skills system in Manchester.
3. Ensure that there is good coverage of English, maths and digital skills provision across Manchester whilst removing duplication of provision.
4. Improve progression pathways within the Manchester skills system
5. Develop a retraining offer which will give adults the best start when they take a new direction in their career
6. Work with employers to ensure that the adult skills system in Manchester prepares learners for work and closes skills gaps in key sectors.
7. Ensure that adult learners in Manchester can access high quality blended and distance learning programmes and benefit from the flexibility this affords.
8. Develop provision for those who experience in-work poverty
9. Develop a multi-agency approach to providing impartial and intelligence based IAG for adults in Manchester
10. Create an Adult Skills Partnership to take ownership of the skills plan and ensure it is delivered.

10.0 Conclusion

10.1 Despite overall positive trends in the qualification and employment levels in Manchester, there remain a substantial proportion of residents who are socially excluded, in part, due to a lack of skills.

- 10.2 Since the majority of individuals who this affects experience multiple interrelated barriers to employment and progression, approaches to address these cannot focus on skills in isolation.
- 10.3 Whilst there are opportunities in the Manchester labour market, those that work in the city are benefiting more from them than Manchester residents. Manchester residents are concentrated in low skill and low pay jobs and in work poverty has become a significant problem for the city as a result.
- 10.4 There is also a pattern of people being employed in roles which are below their skill level making it more difficult for those who have low and no qualifications to compete. Forecasts suggest that the future demand for jobs in Manchester will be in more highly skilled roles and so the issue of skills utilisation will need to be addressed if this demand is going to be met.
- 10.5 The adult skills system can go some way to addressing these issues and there is some evidence to suggest that adult education can have a positive impact on earnings and social mobility when it is looked at in the medium term (around 5 years).
- 10.6 In order to ensure that the adult skills system in Manchester is cohesive, there is a need for stakeholders to come together around some shared goals. The emerging Manchester Adult Skills and Education plan will aim to do this and, in the process, create a more collaborative approach which responds to the city's skills priorities more directly as it develops. The devolution of the Adult Education Budget to GMCA from the next academic year (September 19), provides an opportunity to better shape an adult skills system that meets priority needs in the City, once clearly articulated and committed to by the delivery partners