

Manchester City Council Report for Information

Report to: Economy Scrutiny Committee – 9 January 2020

Subject: The City's Future Economy and Labour Market Requirements

Report of: The Head of Work and Skills

Summary

This report provides information on the City's current Labour Market using the data and intelligence that is currently available, providing an overview of skills demand and supply. Labour market challenges facing the city are considered along with the forecasts for Manchester's future economic position. The report sets out some of the work in which the Council and its partners are connecting residents to opportunities arising from the city's growth, as well as ensuring businesses have access to the skills they need to grow.

Recommendations

That the Economy Scrutiny Committee note the contents of the report.

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	The report explores the nature of the jobs and sectors that are expected to experience growth in the next 10 years and will contribute to a thriving and sustainable city.
A highly skilled city: world class and home grown talent sustaining the city's economic success	The report discusses the ways in which we can better connect residents to the opportunities arising from economic growth through the skills offer.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	This report forecasts growth and the outlines importance of supporting residents to benefit from this to achieve an inclusive economy
A liveable and low carbon city: a destination of choice to live, visit, work	The report covers green skills development as a route to ensuring residents benefit from the opportunities arising from the transition to a zero carbon economy.

A connected city: world class infrastructure and connectivity to drive growth	
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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 four years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

- Developing a More Inclusive Economy – Our Manchester Industrial Strategy
- Manchester Adult Education and Skills Plan (MAESP) 2019
- Devolution Adult Education Budget - Economy Scrutiny Dec 2019
- Green Economy - Economy Scrutiny Nov 2019
- BREXIT and impact on Manchester economy - Economy Scrutiny 5th Sept 2019
- Impact of low skills on residents ability to enter labour market and sustain work - Economy Scrutiny March 2019
- State of the City: Highly Skilled 2019
- Work and Skills Strategy 2016-2020

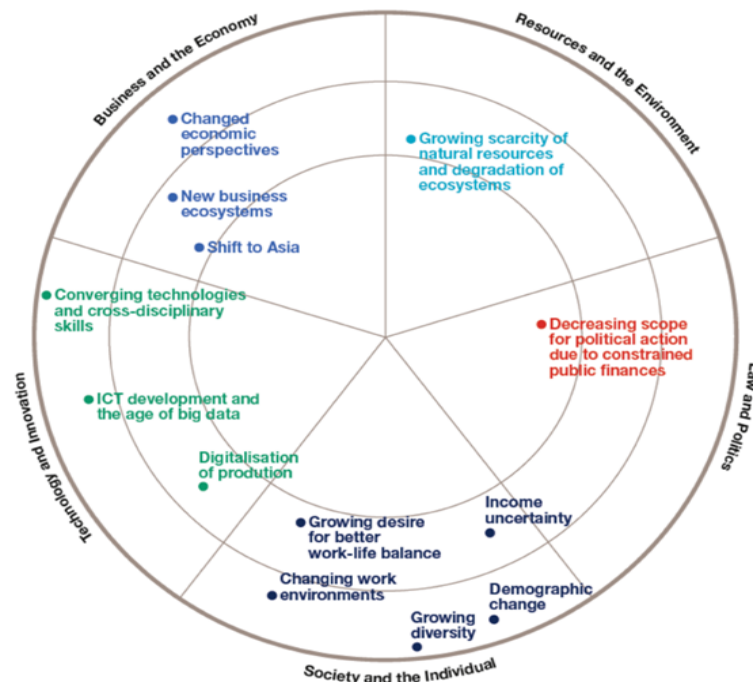
1.0 Introduction

- 1.1 This report presents global and national trends in that are currently, and will continue to impact on Manchester's Labour Market. It will then review current Labour Market Information (LMI) at a city level and identify where the supply and demand of skills is responding to this and outlines the areas of challenge in the skills system.

2.0 International and National Labour Market Trends

- 2.1 Globalisation, technological change, increasing automation of lower level, low skilled roles along with an ageing population and workforce means that jobs and sectors, and therefore the skills, are unlikely to be the same in the future. Due to these trends growth in advanced cities is becoming increasingly polarised.
- 2.2 Figure 1 illustrates how certain powerful global forces are changing how we live and work. The centre of economic activity is shifting to east and south with the rise of China, India, and other emerging economies. The rapid spread of digital technologies and the growing challenges to globalisation are all disruptive to business, the economy, and society. The scarcity of resources is resulting in resource conflict and climate change and climate disasters threaten supply. As populations age, developed regions must rely more on waning productivity and greater migration.
- 2.3 These and other global trends offer considerable new opportunities to companies, sectors, countries, and individuals that embrace them successfully. However, the disadvantage for those who cannot keep up with these trends has also grown disproportionately. For business leaders, policy makers, and residents navigating these trends can be difficult and will require some radical rethinking.

Figure 1: Trends driving the future of UK jobs and skills.



Source: The Future of Work: Jobs and Skills in 2030, UK Commission for Employment and Skills

- 2.4 As a result of this, developed economies are witnessing continuing trends of a hollowing out of labour market, with the polarisation of jobs, sectors and places. At one end of the spectrum there is continued demand for high skilled roles e.g. managers and professionals but the supply of these is growing faster than demand. There is also a growth in higher middle skilled jobs (professional/ technical) such as designers/ technicians. At the other end of the spectrum there is a continued demand for low skilled roles e.g. in sectors such as care and hospitality. At the extreme end of this spectrum there are low pay roles and people falling in and out of employment (low pay/ no pay cycle). There is a contracting in the middle of the economy is with a decline in lower-middle level jobs such as clerical and manual roles.
- 2.5 At a national level these trends are translating in different ways across different sectors and in turn we are responding to these at a regional and city level. The shift towards a more demand led skills system at HE and FE levels with a focus on skills utilisation and innovation is reflected in the National Industrial Strategy, which recognises that high level skills are critical in driving up productivity. The national post-16 skills plan developed in response to the Sainsbury Review introduces Technical pathways to respond to sector needs and continues to focus on apprenticeships as the main route through which skills can be developed and also facilitate employer interest in the skills system.

- 2.6 Manchester has a predominantly young and diverse workforce. This is evidenced in part with 80%¹ of Manchester working age population being aged under 50 years. Whilst only 20% of the residents working in the city are aged over 50, national policy changes to retirement age and pensions, changes to health and work practices and the challenges for an ageing population within the city around low skills mean that we will need to look at new and innovative ways to ensure that over 50s remain economically active and possess the right skills to remain in the changing job market.
- 2.7 As reported to Economy Scrutiny in September 2019, Brexit is already having a significant impact on the wider UK jobs market. The number of EU nationals working in the UK fell by 132,000 to 2.25 million people between the third quarter of 2017 and the third quarter of 2018. Employers are also warning that it is getting harder for firms to hire qualified staff and further reductions in skilled labour coming from the EU to work in the region is likely to exacerbate this further²
- 2.8 Following the General Election on 12 December 2019, there is further certainty that the UK will exit the EU. With a Conservative majority, this will now press ahead with the UK currently scheduled to leave European Union on 31 January. A decrease in EU nationals working in the city, would affect the following sectors most prevalently, impacting on Manchester's growth ambitions:
- Distribution, Hotels and Restaurants;
 - Manufacturing and Construction;
 - Public Sector
 - Health and Social Care.
- 2.9 If Manchester is to maintain and capitalise on its growth opportunities, it is imperative that employers are able to attract and retain the required workers and provide the right training to Manchester residents in order to avoid the risk of a shortage of skills.
- 2.10 In terms of supply from HE Institutions in Manchester, universities have reported an increase of 10% in the number of EU nationals leaving jobs at their institutions; however, the number of leavers rose to 26% at the University of Manchester. Reduction in EU nationals could impact our universities' research and teaching capacity going forwards.
- 2.11 The recognition that the current economic model is unsustainable is resulting in a shift to inclusive growth so that more people will benefit from future economic growth. Developing a More Inclusive Economy – Our Manchester Industrial Strategy (OMIS) recognises this and this report provides us with an opportunity to report labour market intelligence in this context and to set out how we will connect residents to opportunities arising from the growth the city to support a more inclusive economy.

¹ NOMIS July 18- July 19 Economic Activity Data Set

² GM Qly Business Survey.

2.12 At a city level the Manchester Adult Education and Skills Plan (MAESP) provides direction of travel with regards to the changing skills needs in the economy. There is a recognition that some occupations are growing rapidly and others declining and skills needs within occupations is changing in response to automation and digitalisation. Physical skills are becoming less important and analytical and interpersonal skills are becoming more important. Negotiation, coordination and critical thinking are frequently the most desired skills reported by employers.

3.0 The City's Current Labour Market

- 3.1 Manchester's role as the economic centre of GM means that the city's economic performance continues to exceed both regional and national performance. The total employment in the city, increasing from 332,700 in 2006 to 392,000 in 2017³. Total employment has continued to rise, with the largest number of employees being employed in the financial, professional and scientific sectors as the city continues to diversify its economy towards the knowledge-intensive sectors.
- 3.2 The city centre is the economic growth engine for both Manchester and the wider region. It has a high concentration of employment with one in five jobs in Greater Manchester being located in the city centre. This is 60% more jobs than other major employment locations across the city region.
- 3.3 Manchester has seen a significant increase in development over the past year, building on the city's international reputation as a leading place to live, visit and do business.
- 3.4 One of the key factors in Manchester's overall success and resilience has been the development of a stable economy with a young, diverse and increasingly skilled workforce. This is essential for the creation of the jobs that the city needs, driving investment and enabling the city to grow. In recent years, the city has seen major growth and investment in the digital sector including creative and digital, cyber, fintech, bio-science and advanced materials.
- 3.5 The Business Register and Employment Survey (BRES) provides estimates of a range of workplace based metrics. Table 1 shows the breakdown of employment in Manchester for 2018 by broad industrial areas. The largest sectors in Manchester are the professional, scientific and technical and business administration and support services, which combined make up 25.04% of employment.

³ Developing a More Inclusive Economy – Our Manchester Industrial Strategy 2019

Table 1: Manchester's Employment by Broad Industry 2018

Broad Industry Area	%
Professional, Scientific and Technical	12.52
Business Administration and Support Services	12.52
Health	11.27
Education	9.76
Accommodation and food services	9.01
Retail	8.76
Transport and Storage (incl. postal)	7.51
Financial and Insurance	4.51
Information Communication	4.26
Public Administration and defence	4.26
Wholesale	3.76
Arts, Entertainment and other services	3.51
Manufacturing	2.75
Property	2.50
Construction	2.25
Motor Trades	0.50
Mining Quarrying and Utilities	0.31
Agriculture, forestry and fishing	0.04

3.6 Although Manchester's economy is stronger and more resilient than in the past, significant challenges still need to be overcome. Analysis undertaken to inform the Local Industrial Strategy's development demonstrates that Manchester's residents are underrepresented in higher paid sectors and occupations, and overrepresented in lower paid ones. The industries currently employing the largest number of Manchester residents are:

- Public Administration, Education, Health and Social Care (425,000);
- Wholesale and retail (497,000),
- Hospitality and tourism (41, 700)
- Business, Financial and Professional (126,000) ⁴

3.7 This also has an impact on resident wages. 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 but live outside it. Furthermore, the overall employment share held by low productivity sectors has

⁴ Greater Manchester Forecasting Model 2018

increased to 42.5%. Many of these are part-time roles that are traditionally concentrated in low pay sectors. ⁵

- 3.8 The new Manchester Adult Education and Skills Plan 2019 details that over the past ten years, some of the fastest growth in Manchester has been in sectors which create low skilled and low paid jobs, including administrative and support services, retail, accommodation and food. Employers in these sectors therefore have a crucial role in driving up productivity levels and creating new jobs that offer good quality work. A key challenge is ensuring employer engagement in the skills system in order to benefit residents of all ages and at all stages of their working life.
- 3.9 The increased pace and changing nature of work is well known and documented. Approximately one fifth of work in GM is now “atypical”, such as sole-trading, freelancing, fixed-term contracts, zero-hours contracts, agency, self-employment and the gig-economy. ⁶ In addition, feedback from employers, the consultations through OMIS, with GM Chamber of Commerce and our business networks, indicate that employers needs are changing and the type of skills in demand from employers are built on a foundation of transferrable skills such as critical thinking, analytical and communication skills.
- 3.10 Nationally the UK faces challenges around skills shortages, particularly for higher and technical roles and despite the economic strengths within the local economy, the skills shortage in Manchester is more acute than the national picture. If unaddressed, this has the potential to limit growth. For employers, the speed of growth of Manchester’s economy is currently creating challenges in finding workers with the required skills, particularly in higher-skilled occupations such as financial and professional, digital and creative roles. Table 2 looks at the current skills gaps in firms across all Local Authorities in GM and compares this with England. This indicates that Manchester has a higher number of companies with staff who are not proficient in the skills needed proportionately to GM and England.

Table 2: GM Labour Market and Skills Review 2019

	Manchester	GM	England
% Firms with staff not fully proficient	16%	15%	13%
Density of skills gap. % staff not fully proficient	6.2%	4.8%	4.3%
Firms with skills gaps (existing staff not proficient)	21,928	10,427	208,086

- 3.11 In Manchester skills shortages exist in almost all occupational groups. In the hotel and restaurants, education and health and social work sectors, more than one in five Manchester employers say that some of their staff are not fully skilled and in the financial services sector employers say that more than one in ten staff do not have the right skills for the job.⁷ More than one in ten employers in the information and communications technology sector in Manchester have vacancies which they

⁵ Ekosgen Research for MCC 2018

⁶ GM Labour Market and Skills Review 2018

⁷ Manchester Adult Education and Skills Plan 2019

cannot fill due to skills shortages, which equates to nearly half of all vacancies in the sector. In the construction sector Construction Industry Training Board continue to report skills shortages across many roles and at all levels given the growth of developments in the city and the changing nature of the skills required, particularly in light of offsite modular construction and the increasing demand for green skills to deliver retrofit and zero-carbon buildings and transport.

- 3.12 Intelligence used to inform the MAESP indicates that often medium and highly skilled roles cannot be filled due to a lack of applicants with the required skills, at a rate of 70% of vacancies in Manchester compared to 58% nationally. Research carried out to underpin the Manchester Adult Education and Skills Plan⁸ into skills needs in Greater Manchester found that higher level skills are needed across all sectors. Management and leadership skills were particularly in demand in the retail, creative and digital and financial services sectors.
- 3.13 Alongside these skills gaps and shortages, over one quarter of Manchester employers say they have staff whose skills are not being fully utilised in their role and who hold qualifications that are more advanced than they need. ⁹ Increasing levels of skills, particularly in sectors where productivity levels are generally low, (many of which have seen rapid job growth over the past ten years), will increase productivity and support better quality employment and wage progression and facilitate economic growth.
- 3.14 Manchester also has an ageing workforce in key sectors such as construction, requiring succession planning and a clear career pipeline with good pay and progression to ensure sectors remain resilient to this.
- 3.15 Employers have a fundamental role to play in investing in the skills progression and training of their workforce. As detailed in the MAESP, four out of five employers in Manchester have provided training for staff over the past year. Although this is considerably higher than the 66% across England who have done so, the amount of training provided per trainee is lower than nationally and fewer than half of Manchester employers have a training budget. The vast majority of training provided is job specific, with fewer than half of employers providing management training. Those who already have high level qualifications are most likely to benefit from employer-funded training, with 75% of employers who provide training saying they train workers in high-skill occupations, compared to fewer than 30% who say they train workers in lower-skilled occupations.

4.0 Future Growth and Demand

- 4.1 Within Greater Manchester, Manchester and Salford have the highest levels of economic complexity. Analysis carried out by the University of Cambridge for the Independent Prosperity Review clearly demonstrates that, at a UK and Greater Manchester level, the level of economic complexity (breadth of sectors and occupations within it) of a district is correlated with earnings per capita and a significant predictor of future earnings growth.

⁸ Ekosgen Research for MAESP 2019

⁹ State of the City 2019

4.2 The baseline forecast for GM sets out the likely growth pattern based on a continuation of past trends. It is a 'policy neutral' forecast as it assumes that policy will be as effective in the future as it has been in the past. Based on this analysis carried out by Oxford Economics the growth for Manchester is predicted as detailed in Table 3 across a number of key indicators.

Table 3: Manchester’s Baseline Growth Forecast

	2017	2037	Change
Population (000s)	549.0	656.4	19.6 (%)
Employees total (000s)	385.6	454.3	17.8 (%)
Self-employed total (000s)	32.7	35.9	9.9 (%)
Employment total (000s)	418.3	490.2	17.2 (%)
Unemployment level (000s)	11.1	10.8	-0.3 (000s)
Residence based employment (000s)	256.3	291.4	35.1 (000s)
Annual Population Survey residence based employment rate (%)	67.5	64.6	-2.9 (pp)
Net commuting (000s)	141.0	174.4	33.5 (000s)
GVA total (£m, 2015)	18,582.3	27,289.5	1.9 (% pa)

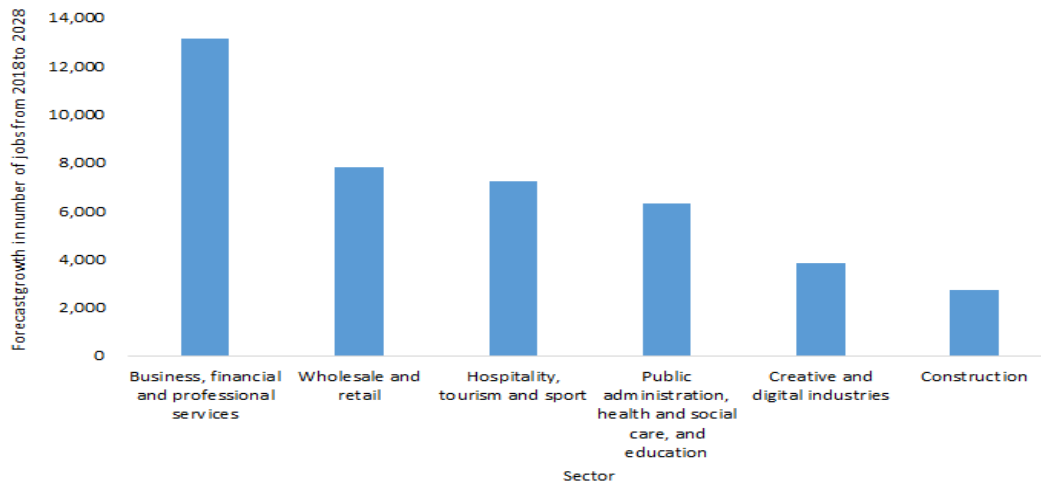
4.3 The Greater Manchester Local Industrial Strategy identifies the following areas as unique sector strengths and assets of the city region that if capitalised on, will drive growth and productivity. Manchester is at the epicentre of each of these sectors and provides the city’s residents with good quality career opportunities.

- a) **Health innovation** - Manchester provides global leadership in health and care innovation and extending healthy lives through linking academic research and frontline delivery to improve the health of our residents, for example through the Manchester Science Park, Corridor Enterprise Zone and Citylabs.
- b) **Advanced materials and manufacturing** - National Graphene Institute and Graphene Engineering Innovation Centre is based in Manchester, and will continue with the Henry Royce Institute currently under construction alongside the development plans for the ID Manchester district.
- c) **Digital, creative and media** - a leading European digital city-region. Sharp Project and Space Studios in East Manchester to help solidify our offer to creative businesses. We have also seen a growth in the city of creative and digital space, such as Federation House for example. MIDAS indicate that Manchester has the greatest concentration of e-commerce start ups than anywhere else in the UK.
- d) **Clean growth** - opportunities of the green economy and reaching zero carbon by 2038; Tyndall Centre and Manchester Universities are at the forefront of research into technologies and services that will enable transition to zero carbon economy.

4.4 As illustrated in Figure 3, currently the city’s fastest-growing sectors include Business, Financial and Professional Services, and Cultural, Creative and

Digital¹⁰. The Construction sector and its supply chain continue to grow as the city undertakes major regeneration projects.

Figure 3: Manchester’s Growth Sectors from 2018 to 2028



Source: GM Forecasting Model 2018, Oxford Economics

4.5 The 6 key growth sectors in the city and anticipated growth in job numbers until 2028 are as follows:

1. Business, Financial and Professional Services + 13,810 jobs
2. Wholesale and retail +7,807 jobs
3. Hospitality, Tourism and Sport +7,246 jobs
4. Health and Social Care + 6,136 jobs
5. Creative, cultural and digital + 3,600 jobs
6. Construction + 2,727 jobs

4.6 The growth of digital and creative industries in the city is a major opportunity but also a challenge. ‘Digital Skills’ encompass a broad range of skills from digital access/inclusion through to high level technical skills. Headline findings from the 2019 Digital Skills Audit show that a range of technical skills such as Machine Learning, Data Engineering, UX Design and Cyber Security are the most highly sought by employers, with developer roles in greatest demand, a trend that has continued from previous years. Developer roles and AI and Machine learning roles are the most difficult roles to fill and there is a noticeable increase in demand for data science and analyst roles. Other positions within the digital sector where there is a skills shortage include marketing and graphic design. The majority of respondents’ recruit graduates and as expected, proximity to the local universities means that UoM and MMU are the biggest supplier of graduate talent to Greater Manchester businesses. However, a significant number of respondents also looked beyond the North West for graduate talent.

4.7 In order to overcome skills shortages businesses may often refuse contracts or need to outsource specialist roles. As highlighted in the 2019 Digital Skills Survey

¹⁰ GMFM 2018

around a quarter (24%) of respondents indicated that they have had to offshore work due to a lack of talent, compared to 20% in the 2018 Skills Audit. They note that it is likely that this figure has increased as companies are finding it harder to import talent from the EU and the UK talent pool has been absorbed.

- 4.8 The skills gap continues to be one of the biggest inhibitors to growth in the tech and digital sector in the North West. The ever growing demand for digital/technical skills goes beyond the digital and creative industry. It is estimated that there are an equal number of specialist digital technical roles across other industries and being digitally literate is a requirement of most jobs. However, a clear message from businesses during the consultation of the OMIS is the need for higher level digital skills to mitigate the risk to the future sustainability of their organisation; this is a key factor when deciding whether to remain in the city.

5.0 Supply

- 5.1 A highly skilled workforce is fundamental to Manchester's economic growth. Upskilling the city's population is vitally important in reducing levels of dependency by ensuring that more people have the opportunity to access jobs and share in the city's economic success. Maximising the benefits of this interdependent relationship is therefore a critical priority for the city
- 5.2 About 70% of Manchester's population is of working age, this is a higher proportion than ten years ago. 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, this is approximately 6 percentage points below the national level. 26.7% (101,700) 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 approximately 30,000 Manchester residents who are out of work because of an underlying health condition.
- 5.3 Figure 4 shows economic activity rates in Manchester compared to North West and National levels. Economic Inactivity rates do not respond to the economic cycle or demand for labour. Since 2004 economic inactivity rates in Manchester have fluctuated slightly with the 4% drop since 2016 being associated with welfare reform, the impact of some of the commissioned programmes such as Working Well, and some people who were economically inactive being reclassified as unemployed, while others will have moved into pension age. 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.

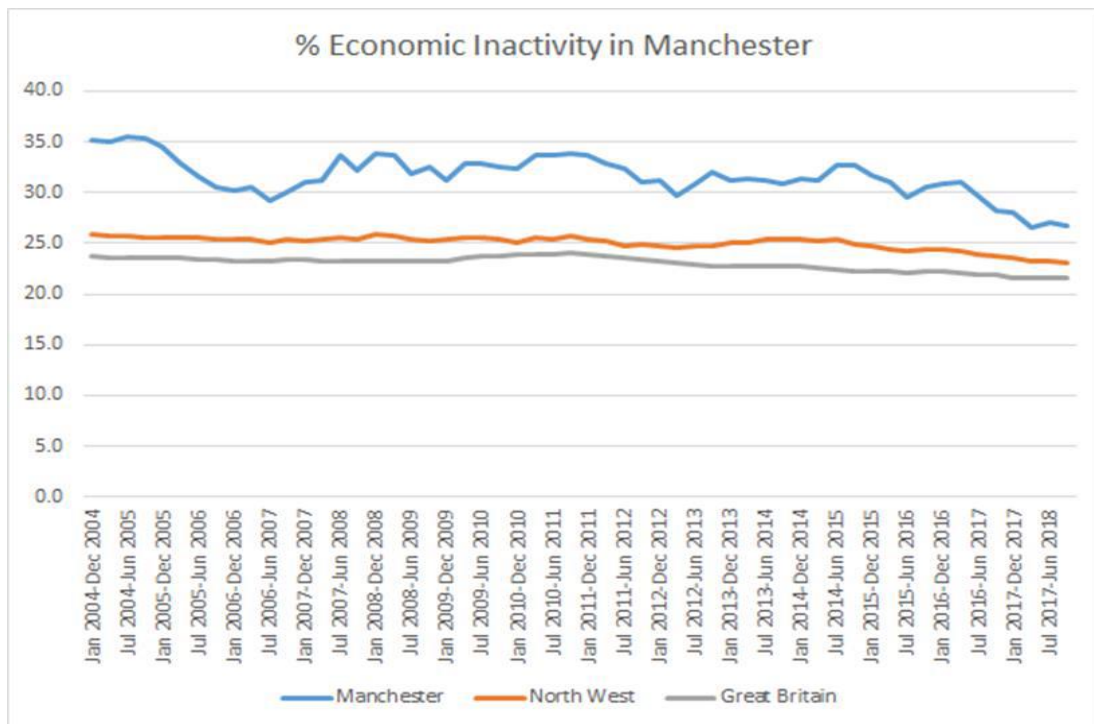


Figure 4: Percentage of Economic Activity in Manchester

- 5.4 Skills levels as indicated by qualifications have an impact on how residents fair in the labour market. In Greater Manchester, the employment rate of those with higher level equivalent qualifications (L4+) is 84%. In contrast only 37% of people with no qualifications are in employment. This trend is further reinforces when looking at the skill levels of unemployed residents, where only 39% have qualifications at level 3 and above (19% have a level 4 qualification)¹¹.
- 5.5 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). 11% of Manchester residents have no qualifications compared to the national figure of 9%. Manchester residents are concentrated in lower-skilled occupations and low-productivity sectors¹²: 39% of residents work in low-skilled roles compared with 29% of those who work in the city but live outside it. Currently, older workers tend to be less qualified than their younger counterparts, with over half (53%) not having the Level 2 qualifications.
- 5.6 This means there is a risk that some of our communities currently with low skills could be left behind, particularly if they lack essential core skills needed for work including communication, team-working, initiative, self-reliance and an interest in lifelong learning - as well as job-specific skills and qualifications. Therefore, ensuring Manchester residents are able to develop the skills needed requires an integrated education, skills and work system.

¹¹ The Impacts of Low Skills on Manchester residents, Economy Scrutiny March 2019

¹² Health, Social Care, Retail Hospitality & Tourism

6.0 Further, Higher, and Adult Education

- 6.1 Results for the percentage of A level entries that achieved an A*–E pass grade in Manchester have decreased slightly from 98.7% in 2016/17 to 98% in 2017/18 but remain higher than national results, which have also seen a slight decline. The percentage of entries achieving the top grades of A*–A is lower in Manchester (21.8%) than nationally (23.6%), but the gap has narrowed, despite a decrease.¹³

Overall, A-level achievement has been improving over recent years which will put young people in a good position by having the level of education which is required by the city's growth sectors.

- 6.2 The growth sectors in Manchester require a highly skilled workforce, particularly in those subjects that underpin them, such as the creative and digital industries and STEM (Science, Technology, Engineering and Maths) subjects. Therefore, the focus on pupils obtaining qualifications in STEM subjects has been increasing. The percentage of pupils in Manchester achieving top grades of A*–A in STEM subjects has fallen since 2016/17 and the gap to national figures has widened. The percentage of pupils achieving an A*–E pass grade in STEM subjects is now lower in Manchester compared to the national figure. So whilst the take up of STEM has increased the attainment levels have decreased. These results are based on A-levels in Biological Sciences, Chemistry, Physics, Other Science, Maths, Further Maths, Computing and ICT. The results may therefore not be a definitive list of STEM qualifications achieved.
- 6.3 T Levels have been introduced to streamline routes into technical professions and provide young people at 16 with the option of a technical path, T levels involve a 2 year, classroom based programme, delivered by an FE provider with 20% on the job experience. The Manchester College (TMC) is in a strong position to respond to the technical education reforms and T levels and will be delivering T level pilots from September 2021 across all subject areas. There will be a requirement for a substantial level of work placements offered in a related field. TMC have been working with the Ideas Foundation to pilot the approach of linking with industry partners and have had success particularly in the creative and media industry. T levels will therefore provide us with an opportunity to ensure technical routes are available for young people in the Manchester area to respond to the demand for skills in key growth sectors.
- 6.4 The Manchester College delivers a significant volume of post-16 vocational education each year with over 5,000 16 to 18 year-olds enrolling in 2018/19. The College is working with partners to ensure provision is becoming more aligned to the skills needs of Manchester. The performance of the LTE Group was recently reported to Economy Scrutiny Committee in December 2019. The proportion of study programme learners completing work placements has increased significantly, providing students with an opportunity to develop an understanding of the culture of the workplace and softer skills such as confidence, efficacy and time management. In 2018/19, 90% of level 2 students and 96% of level 3

¹³ Department of Education

students undertook a meaningful work placement. The College has high achievement rates and is now performing in the top 10% nationally and believe that their learner outcomes signal the number one performance in Greater Manchester. The College's planned estate strategy will create Centres of Excellence to deliver technical and professional vocational education and training, addressing the skill needs in key priority areas such as Creative and Digital; Health and Wellbeing; Construction and Logistics; and Business, Financial and Professional. Focusing on science, technology, engineering, maths, digital skills and creativity

- 6.5 Apprenticeships are another mechanism for business and residents from all backgrounds to obtain the skills and qualities valued by employers. Good-quality apprenticeships across a range of levels and sectors will help deliver the skills required to grow the economy and enable residents of all ages, to develop the skills and attributes needed to succeed in the labour market. Employers in key-growth sectors are increasingly recognising the need to work in partnership with training providers to develop higher-level roles for their industries aligned to apprenticeship standards, which are lacking in some sectors.
- 6.6 Fewer apprenticeship places are being created for young adults and at intermediate level. The Apprenticeship Levy has brought major change to the apprenticeship market and whilst it was introduced to increase take-up, the trend nationally has been a continued decline. The number of intermediate starts has fallen particularly sharply, potentially reducing the pipeline of learners who can progress into higher level apprenticeships.
- 6.7 Whilst the apprenticeship levy is driving better employer engagement, there are new standards are continually being rolled out which presents an ongoing challenge, particularly for SMEs and training providers. Figures 5 and 6 show apprenticeship take up by age and level respectively. They illustrate an increased use of advanced, higher and degree level apprenticeships as a means to upskill the workforce and increase productivity, a shift driven through the introduction of the Apprenticeship levy. However, there are continued low numbers of 16-19 year olds accessing intermediate apprenticeships to start their chosen career.

Figure 5: Manchester Apprenticeship Starts

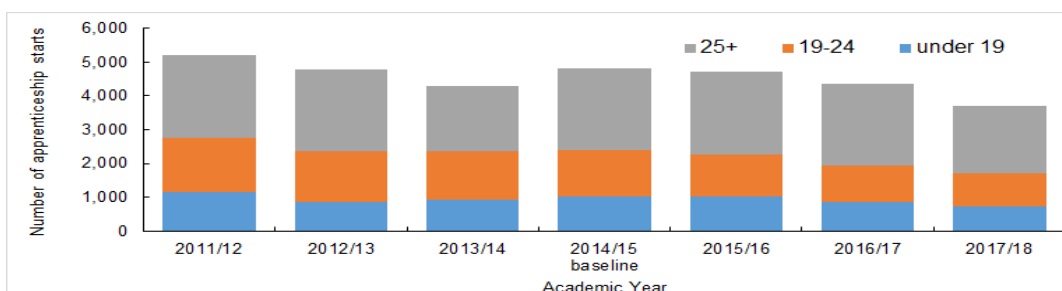
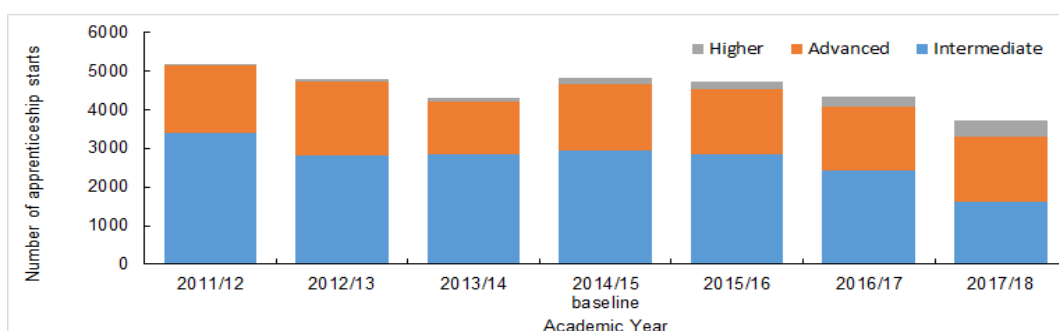


Figure 6: Apprenticeship Starts by level



Source: Skills Funding Agency

- 6.8 Initiatives such as the Greater Manchester Levy Matchmaking Service which facilitates the pass down of unspent levy funds to SMEs within the city region and the SME apprenticeship support programme which offers £3000 to non-levy paying employers within Greater Manchester who haven't taken on an apprentice in the last 2 years will help to increase apprenticeship creation within the City.
- 6.9 Manchester's Higher Education offer is a key contributor to the success of the city's economy. In 2019, more than 73,000 students enrolled at Manchester's two universities. 42% of all university students are studying STEM related disciplines (Medicine, Dentistry & Biological Sciences; Physical, Mathematical & ICT Sciences; and Engineering & Technology) complemented by a high number of graduates in Creative Arts and Design and Business and Administration.
- 6.10 The proportion of graduates indigenous to Manchester who entered work in the city within six months of graduating has ranged between 36% and 42% over the past five years, research carried out for the Oxford Road Corridor Impact Assessment Summary Report puts this as approximately 27,000 graduates and postgraduates being supplied to Manchester's labour market each year. This is a positive trend that sets Manchester above the national average for the proportion of residents who hold level 4 qualifications and above: 44% in 2018 compared to 39.9% in 2017. Our large and diverse talent pool attracts businesses into the city and is one of the key reasons why the economy continues to be successful.¹⁴
- 6.11 The devolution of the Adult Education Budget (AEB) and the implementation of the MAESP will be key delivery mechanisms for encouraging training, life-long learning and in-work progression. As outlined in the MAESP, the overall skill levels amongst Manchester residents has risen significantly but there remains a cohort, particularly of older workers, who hold no formal qualifications or have low level skills which do not equip them for success in today's labour market. If Manchester residents are to occupy more of the higher level roles they must be supported to progress into higher skilled and better-paid jobs. One of the key objectives of the plan is to ensure that employers influence adult education and

¹⁴ HESA destination of leavers survey

skills provision, co-invest in upskilling their workers and can find and develop the skills they need for their organisations to thrive. A detailed report of the devolution of the AEB was presented to this committee in December 2019. Devolution of GM AEB budget offers major opportunity to influence adult skills provision in the city.

- 6.12 For the past few years, in order to meet demand both the Manchester College and Manchester Adult Education Service overspent on their budget in 2018/19 academic year. Due to the city's opportunities and challenges along with a growing population it is likely that current AEB funding will not meet continued demand for provision.

7.0 Responding to the Skills Challenges

- 7.1 Whilst there is a great deal to be positive about, there remain some challenges across the City if we are to maximise our growth potential and ensure that residents contribute to and benefit from our economic success.
- 7.2 The accompanying report on CEIAG outlines in detail the initiatives we are implementing to ensure clear pathways into strategically important sectors. Manchester Adult Education Service (MAES) have a major role in delivering skills provision as detailed in the report to Economy Scrutiny Committee in December 2019. The Work and Skills Team provide leadership and co-ordination across the education, skills and work landscape to help ensure Manchester can respond to the demand for skills for the future.
- 7.3 “Equipping People with the Skills to Prosper” is a key theme under the “People” pillar in the delivery plan of OMIS. With particular focus on developing a digital skills pipeline, Skills 4 Life and skills for green tech and services, these areas of focus will drive the skills agenda going forward. The accompanying scrutiny report on “Careers Education, Information, Advice and Guidance (CEIAG) programmes; Schools engagement in developing the skills needed for future labour markets; and Curriculum for Life”, provides an update on how Curriculum for Life will help ensure that our younger residents have the opportunity to develop the softer skills needed to partake in the city’s labour market.
- 7.4 Our Manchester Industrial Strategy focuses on what is required to maximise our residents’ opportunities of obtaining higher skilled roles. This will be done by reducing any barriers, while ensuring that we have good jobs with good pay and progression in other sectors, and a strong foundational economy, an economy that is built from the activities that provide the essential goods and services for everyday life. These include utilities, food production and processing, retail and distribution, and health, education, housing and welfare.
- 7.5 The level and growth of city centre physical regeneration and strategic projects provide the City with an opportunity to ensure residents can access the opportunities that arise from both the construction and end use across a range of construction trades and professions. The City Centre Strategic Regeneration Framework (SRF), and other area based SRF’s across the city highlight in detail the opportunities in terms of jobs these present for the city.

7.6 Through procurement and planning requirements, employers are being encouraged to employ local people, and we will continue to work with developers to support the delivery of social value targets relating to skills. This is a key mechanism by which we can ensure there is local benefit from planning, construction to end use for local residents, for example, cultural developments at St John's, NOMA and Mayfield have the opportunity to deliver significant training and job opportunities for local residents.

- **Our Town Hall (OTH):** M Futures is the flagship higher level shared apprenticeship scheme for the project and provides a unique vocational pathway into professional roles in construction. The first intake of six apprentices recruited in September 2017 completed in summer 2019 with five staying in the industry. Three of this cohort are now being put through degree level qualifications paid for by their employers, Mace, F&G and Ramboll. The latest intake of seven apprentices has just been appointed to the design team and management contractor Lendlease.

As the project progresses into the construction phase OTH aims to create at least 100 apprenticeship opportunities at level 2 or level 3, predominantly in trade roles, which will be targeted at Manchester residents and linked to the existing skills and training offer in the city. This is in addition to the target of 50 higher level apprentices.

- **The Factory**, a new venue for performing arts, visual arts and popular culture developed in collaboration with Manchester International Festival (MIF), MCC and the Arts Council, will provide a catalyst for the cultural sector to collaborate and deliver specialist training and apprenticeships. MIF are leading on the launch of a GM cultural employer skills consortium and programme board to oversee the development of a Cultural Training Academy 'to develop a paid summer internship programme for students and a new graduate programme.

As part of the social value commitments, the contractor, work package contractors and design team will work with MIF to deliver the following skills related offer:

- Apprenticeships – 65 individuals including - 15 MIF Factory Academy apprentices and 50 through the contractor and work package contractors;
 - Direct workforce recruitment targeted at Manchester residents;
 - Training programmes for long term unemployed, 'hard to reach' residents and Manchester based graduates;
 - Jointly delivered volunteering programmes
 - STEAM (STEM with Arts) based education opportunities for 850 Manchester school age and other young people in partnership with MIF and Science and Industry Museum,
 - Work experience opportunities for 450 individuals throughout the construction and operational phases of the project
- **The Oxford Road Corridor** is economically the most important area within Greater Manchester, with more job creation potential than anywhere else. The

area generates £3billion GVA per annum, consistently accounting for 20% of Manchester's economic output over the past five years. The area has more than 60,000 jobs, over half of which are within knowledge-intensive sectors, including health, education and professional, scientific and technical sectors. As detailed in the Impact Assessment Report, there are 73 active Knowledge Transfer Partnerships (KTPs) in place on the Corridor, representing 9.1% of the total active KTPs in the UK52. Since 2012 almost 10% of all patents approved in Manchester have originated from the Corridor. One of the remits of the Corridor Partnership is to continue to ensure that local residents can benefit from the employment opportunities that will be created. In addition, as detailed in paragraphs 6.9 and 6.10, it produces highly qualified and skilled graduates needed to drive the knowledge intensive sectors.

- **Airport City** is one of the largest investment and employment opportunities in the North of England. This prime strategic asset is vitally important to the Manchester economy and as such is featured as one of the key developments within the Manchester Work and Skills Strategy with the potential for creating up to 7,000 new jobs in Business Services, Logistics, Advanced Manufacturing, Hotels & Retail. Key development sites including Airport City North, Medipark & Roundthorn Industrial Estate, Airport City South, Wythenshawe Town Centre & Atlas Business Park.

Examples of work to date at Airport City are as follows:

- a) **Virgin Media** - following relocation to Concord Business Park at Airport City, the Work and Skills Team worked with Virgin to plan recruitment for their first relocation phase, which provided around 140 new customer service roles. Support for residents around applying for roles and in gaining basic skills was provided where required a working group of local employment support organisations was established to promote the recruitment opportunities. A number of open days were held at Virgin Media for interested residents to give them an opportunity to find out more about the roles and working for Virgin. In addition support was provided to streamline the usual Virgin recruitment process, making it more accessible for residents further away from the labour market. 61 local residents attend the two open days with 67% of these residents registering an interest. 44% of the residents that attended a Virgin Media assessment centre secured employment with Virgin. This is a higher conversion rate than Virgin's usual direct recruitment.
- b) **The Hut Group (THG)** - As a levy payer THG take on approximately 150 new apprentices per month and is a key strategy in meeting their skills demand. As such they are keen to work with schools and colleges both in the South and wider Manchester. The Work and Skills Team have a key role in facilitating this through the Wythenshawe Business Networks, BW3 and wider networks. There is future scope to replicate a similar approach with Amazon and facilitate the provision of support to our priority groups once the scale of entry level roles is known. Whilst THG already have connections with the Universities, the Work and Skills team will look to better connect them to all of our learning providers in the city

in order to fulfil their plans of an additional 8,000 to 10,000 jobs across a number of varied roles and levels at Airport City (noting that some of these are due to relocation and will be filled by the existing workforce).

- 7.7 Digital inclusion remains a challenge in Manchester, some residents are unable to access, or do not have adequate skills or motivation to confidently go online. In some parts of Greater Manchester, over 15% of adults have never been online and over 25% lack basic digital skills (GMCA Digital Strategy 2018-2020). Not only does this impact on employability but also the ability access support and to partake in the activities of day to day life.
- 7.8 Higher level skills are also needed to respond to the demand for digital skills. There are currently a number of privately funded organisations such as Code Nation, Northcoders who are responding to the higher level digital skills gap. In addition, the Fast Track Digital Skills programme commissioned by GMCA aims to bringing together employers and training providers to run innovative digital training schemes linked to skills shortage vacancies and open up the opportunities to a broader range and more diverse group of residents including those who are low paid and out of work. All the successful applicants from round one of this funding are Manchester based and round two is currently open and has received a great deal of interest from Manchester based organisations.
- 7.9 The focus on Green Skills at the November Economy Scrutiny focussed on how the Council is working to ensure Manchester is leading the way in delivering on its ambitions to reach a zero-carbon economy by 2038. In the delivery plan of OMIS we have committed to develop a specific programme for growing green tech and service jobs, and the skills needed to access roles in these sectors to enable us to capitalise on the employment and growth opportunities that responding to climate change will bring.
- 7.10 There are a number of challenges to delivering a well-managed, yet urgent, transition to a zero carbon economy that is fair and inclusive, builds on the economic strengths of Manchester and delivers a high-skill, high-wage, low-carbon economy of the future. Delivery of this ambition will require increased investment in low carbon energy, higher energy efficiency standards for new residential and commercial developments, a major retrofit programme, and investment in low carbon transport. This represents a major opportunity to both establish Manchester as a centre for green technology and services, and to work with local skills providers to ensure that the city's residents are given the best possible opportunities to access these opportunities. To support the delivery of this agenda, it will be essential for the local skills system to proactively respond to future demand. Industry and skills providers will need to work together closely to develop academic and vocational programmes which are fit for purpose. Paths for career progression should be built into these emerging opportunities. Work is underway to identify the immediate skills needs and action required in order to underpin the ambition of the wider Climate Change Strategy and the Five Year Plan for the city.
- 7.11 Health and Social Care is one of Manchester's largest growth sectors in terms of jobs, with roles that are likely to be more accessible to many Manchester

residents than those in other growth areas (e.g. science, R&D). As such, supporting residents to secure roles in the sector is needed along with an influencing role to ensure that these jobs are of a good quality (see Foundational Economy sub-section of OMIS). In the field of Health and Social Care work is underway to develop an integrated apprenticeship model and develop a generic support worker role, a model that will broaden skills and enhance transferability of those skills between NHS provided healthcare and Local Authority provided adult social care. With an apprentice levy pot of circa. £4.76M and public sector apprentice target of 750 there is a clear potential to deliver innovation and efficiencies and significant work has already been progressed with potential to go further. In addition, the NHS Careers Hub is broadening its scope to encompass the wider Health and Social Care sector. Health and Social Care devolution to Greater Manchester presents a unique opportunity to try and align our skills and talent pipeline to the needs of the sector in the city, but it is essential that the workforce can benefit from good pay, training and progression opportunities once in these roles.

8.0 Conclusion

- 8.1 There are a number of external factors (ranging from global, to national and local) that are impacting on UK economies and more specifically Manchester's economy and as such industry skills needs are moving and changing faster than the skills sector.
- 8.2 A talent pipeline needs to be developed to enable employers to grow their own talent from within the city to meet their future growth ambitions. We need to ensure that our city's workforce is resilient, with the skills to adapt to the future economy, including the potential changes to the labour market with the increase of automation and artificial intelligence.
- 8.3 Work will continue to maximise our opportunities such as strategic developments in the city, as well as placing an increased focus on digital and green skills in the journey towards a zero-carbon economy.
- 8.4 Although Manchester's economy is stronger and more resilient than in the past, significant challenges still need to be overcome. Manchester's residents are underrepresented in higher paid sectors and occupations, and overrepresented in lower paid ones, which leads to a significant gap between resident and workplace wages. Underpinning the ambition for an inclusive economy is the need to ensure that residents are equipped with the essential educational, vocational and life skills required to succeed in Manchester's diverse and evolving economy.
- 8.5 As such a partnership approach across the education, skills and work system will be required to maximise the economic opportunities forecasted within the City, and a key role of the Work and Skills team and wider council will be to drive forward the ambition of the OMIS and MAESP. The current Work and Skills Strategy 2016-20 for the city has a strong focus on economic inclusion and creating a more demand-led skills system. The Strategy is due to be refreshed in 2020 and will look to build upon and effectively utilise the assets

and levers available within the city to enable us to have more influence and target resources towards essential skills to ensure maximum economic impact for business and residents.