

THINK...

Manchester City Council

Planning for the Economic
Recovery: Work and Skills

June 2020



Contents

1. Summary	Page 3
2. Context, method and scope	Page 5
3. Labour market intelligence	Page 9
4. Findings	Page 28
5. Analysis	Page 46
6. Recommendations	Page 51
7. Annexes	Page 61

1. Summary

The Coronavirus pandemic and lockdown has impacted Manchester's labour market at a pace and scale that is unprecedented in living memory. Between March and May 2020, the number of people in the city who are unemployed and claiming benefits rose by 91%. Youth unemployment doubled. The number of advertised vacancies halved. When analysed by neighbourhood, the highest rises in unemployment are in deprived areas with largely BAME populations. In addition, almost a third of the city's resident workforce is currently either on furlough or in receipt of self-employment income support – both schemes are set to close in the coming months.

Forecasts vary considerably about the likely shape of the recovery. Employers are very uncertain about the future, though there are indications that most firms currently expect to make some staff redundant. The outlook for some parts of the economy is very challenging however prospects in other sectors that are already a strength of the city – such as health and care, digital and construction – appear positive. This work also found an exceptional level of employer goodwill towards working with MCC to support the city's recovery.

Current plans by Government to respond to the crisis in our labour market are unclear. A 'fiscal event' in mid-July will put in place emergency measures, while the autumn 3-year Comprehensive Spending Review promise more medium to long term action. Recommendations will be reviewed in light of these announcements.

Summary

Following detailed labour market analysis, a review of best practice and interviews with over 50 local stakeholders, six key priorities for MCC's work and skills recovery have been identified. They focus upon minimising redundancies, maximising job creation, supporting more unemployed residents to re-enter work, preventing young people from becoming unemployed, growing apprenticeship and training opportunities, and improving the support to individuals who are already long term unemployed or inactive in the labour market.

A total of 24 recommendations are made, priorities for implementation over the next few months include:

- Seeking the rapid roll out of a programme of employer-led training to reskill and redeploy staff returning from furlough, to minimise the rise in unemployment, working with HMG, Core Cities and GMCA
- Commitment from HMG to an expansive intermediate labour market programme to address the unfolding youth unemployment crisis, which risks deepening further as we move into the new academic year
- Flexibilities and incentives – such as Programme-Led Apprenticeships, extending NI relief and a new AGE grant – to sustain apprenticeships and support job retention through the critical summer/autumn period

This report also makes practical recommendations for the medium/long term, including:

- Building Manchester's digital skills base to unlock FDI and 'north shoring' potential in a key growth sector
- Work with Siemens and the Growth Hub to initiate an employer-led programme focused on harnessing the economic benefits of moves by business to improve supply chain resilience
- Review the retraining offer available to working people to support job security and career progression

2. Context, scope and method

2. Context

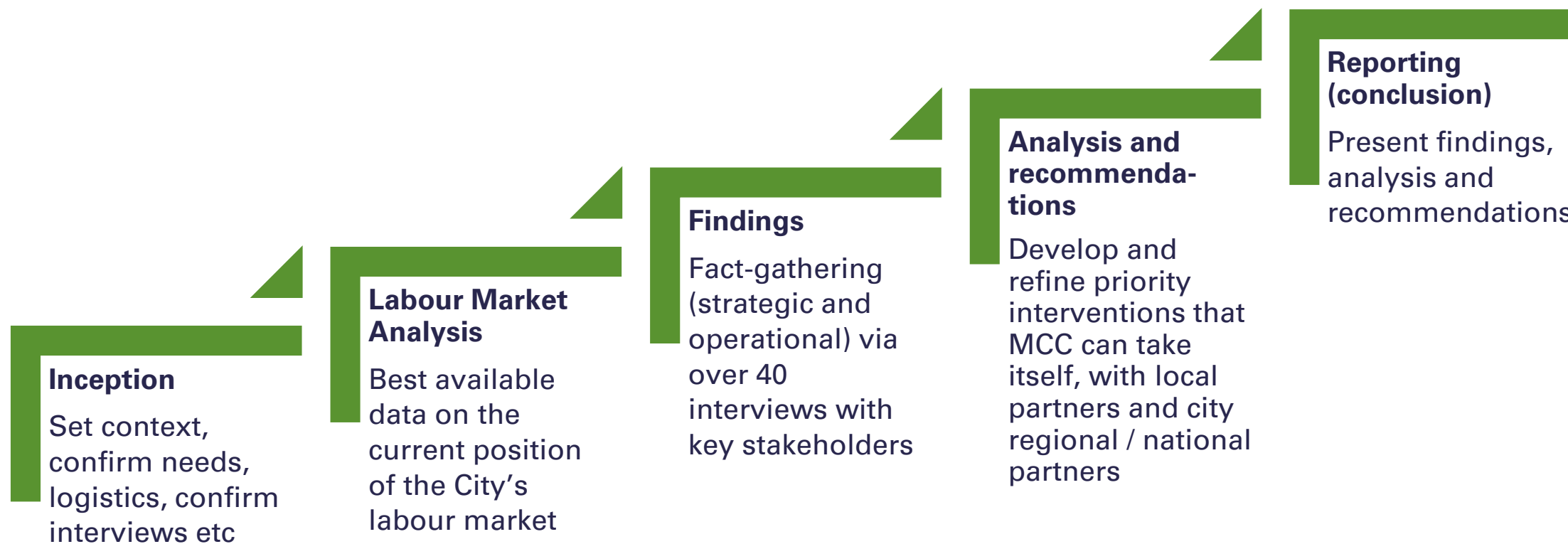
- The Covid-19 pandemic has created set of economic conditions described by the Chancellor recently as a *'..severe recession, the like of which we have not seen.'*
- Manchester City Council (MCC) is leading work to address the immediate challenges created by the pandemic. This leadership role extends to the local labour market, where MCC is committed to working with its partners to improving labour market outcomes in a very difficult environment
- Recent labour market data paints an extremely challenging picture which, unless there is a sharp economic recovery over the summer, is likely to deepen - putting many people and communities in Manchester under significant economic and social stress for a sustained period.
- Despite its good economic performance over recent years, Manchester appears vulnerable to the effects of a downturn. The city centre and Manchester Airport – drivers of growth across the city region – have both seen very sharp falls in activity. The city's residents are disproportionately employed in low paid occupations, likely to be at heightened risk during economic downturns.

Scope

The City Council and its partners already invest in programmes of learning and employment support to address labour market challenges. They have also secured important leverage over central Government “mainstream” funds and programmes. Now, work is required to understand how this capacity (and new resource, if required) can be best deployed to respond to labour market challenges and opportunities. This will require:

- Analysis of labour market issues, risks and opportunities across key sectors and geographies (City Centre, Airport and other existing and emerging employment hubs)
- Identification of interventions to reduce unemployment built on understood labour market need and an analysis of existing mainstream and GM programmes, lessons learned, etc
- Exploration of options for enhancing employer demand for labour in the city
- Feedback on how post-16 classroom-based provision can best support young people and adults in the current labour market
- Advice on how local residents can be best supported to access opportunities now being created in sectors that are growing, or are set to grow through the recovery
- Guidance on how MCC can best work with GMCA and Core Cities to maximise impact
- Strong commitment to low carbon with a strategy and action plan for the city that is actionable around retrofit of housing and de-carbonised local transport

High level project method



3. Labour market intelligence

How has Manchester's labour market responded so far?

Macroeconomic outlook

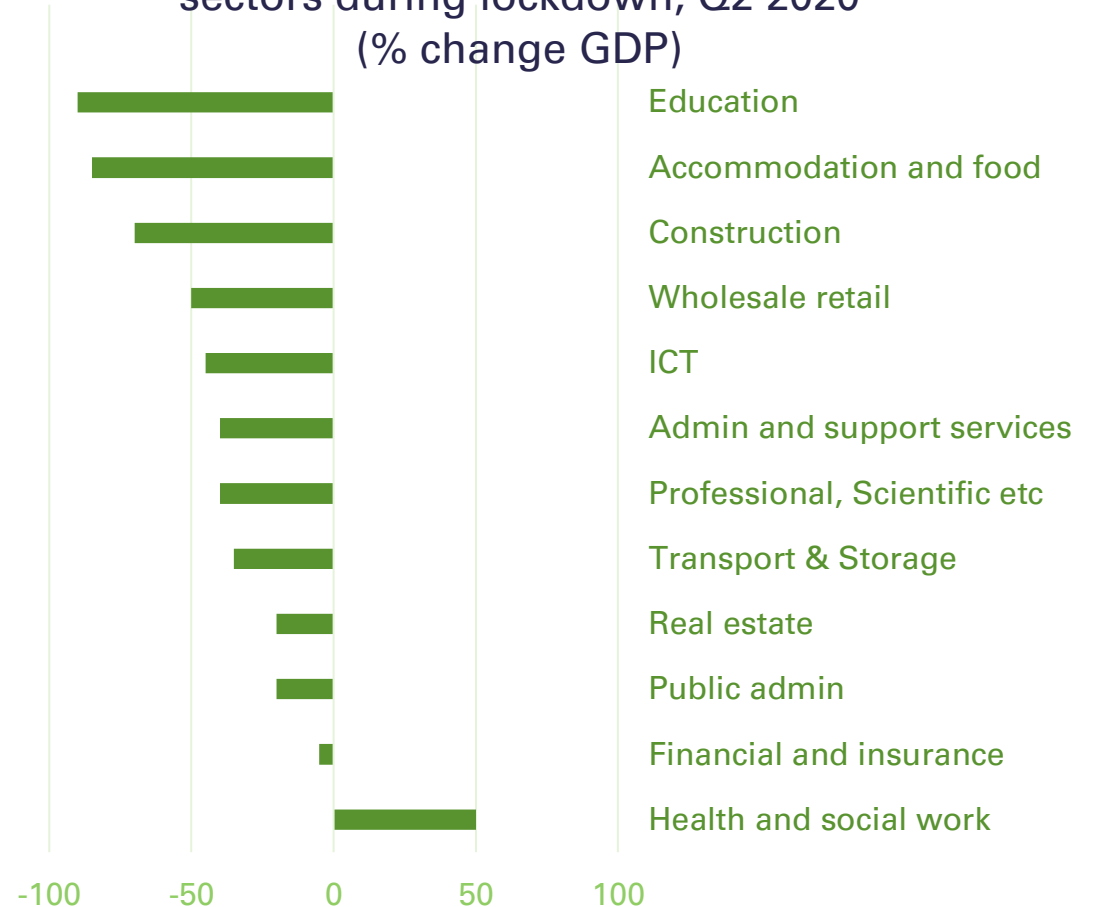
The economic shock resulting from Covid-19 and the lockdown exceeds anything in living memory.

The UK's GDP fell by 20.4% in April 2020, following a 6.9% contraction in March. However the Bank of England remains optimistic that a 'V' shaped recovery - whereby the economy quickly returns to pre-Covid levels of activity – is possible, despite the gradual move out of lockdown. But the Bank of England acknowledge that even this best-case growth scenario still runs a serious risk that high levels of unemployment will persist for the long term.

The effects of Covid-19 are being felt globally. The IMF recently forecast that global growth would fall by 5% in 2020, with UK GDP dropping by 6.5%.

Analysis by KPMG forecasts that the North West will experience the fourth most severe economic impact of the UK's regions resulting from the Covid-19 crisis. It forecasts a contraction in regional GVA of 9.5% in 2020 followed by a return to growth of 10.6% in 2021.

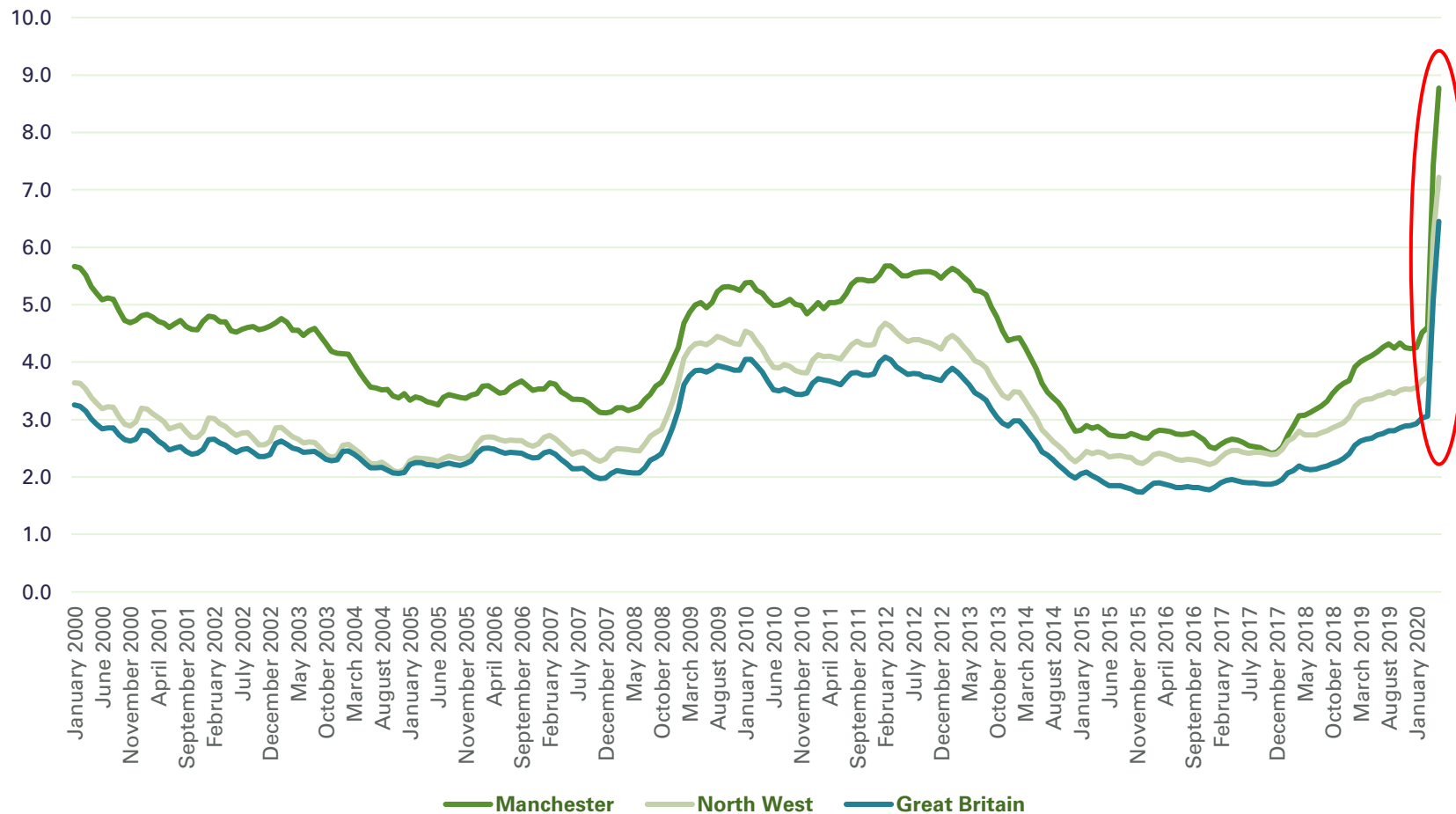
OBR estimate of C-19 impact on UK sectors during lockdown, Q2 2020
(% change GDP)



Claimant Count Rate in the 21st Century, Manchester

Covid-19 has triggered an unprecedented labour market crisis

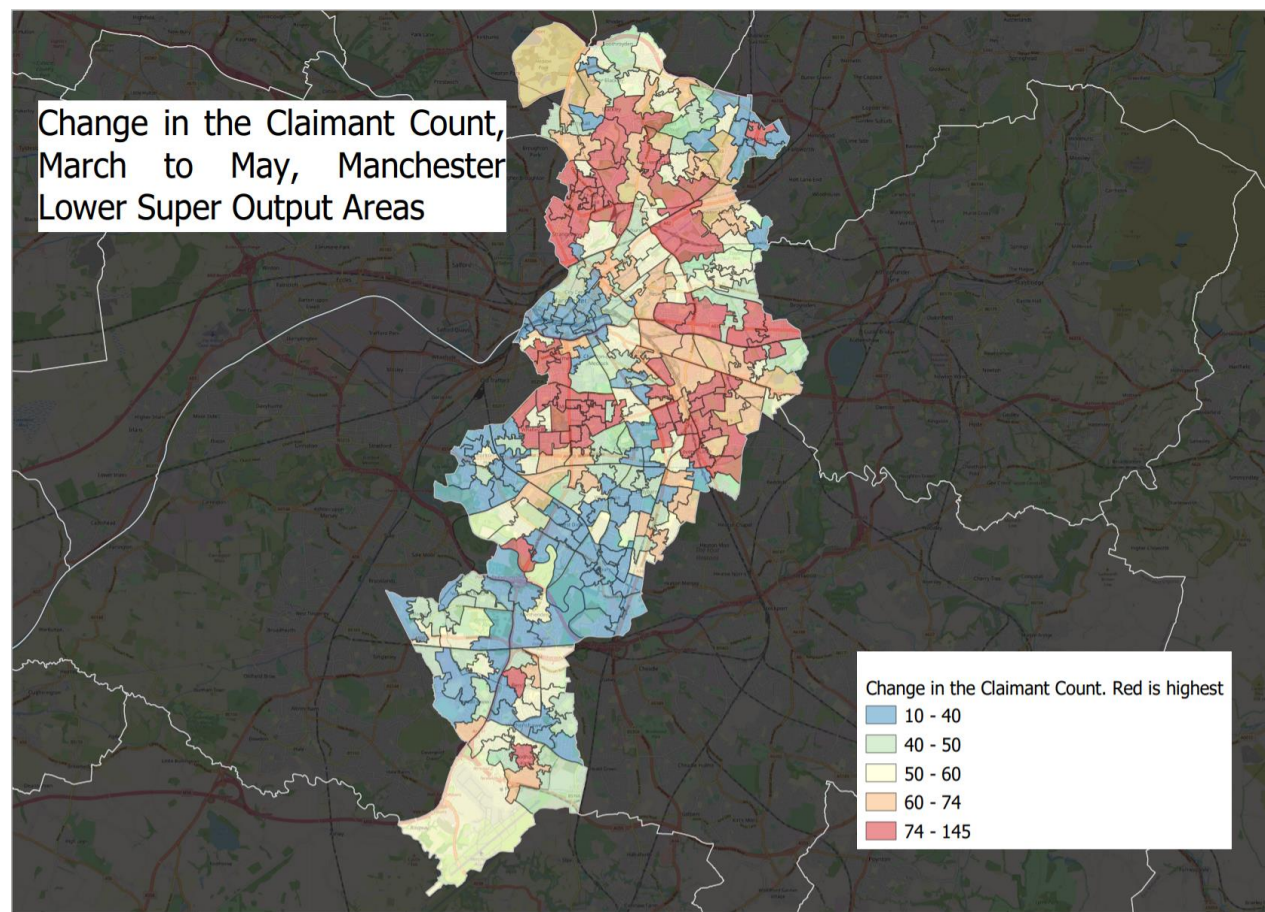
Claimant Count Rate in the 21st Century: Manchester, NW, GB



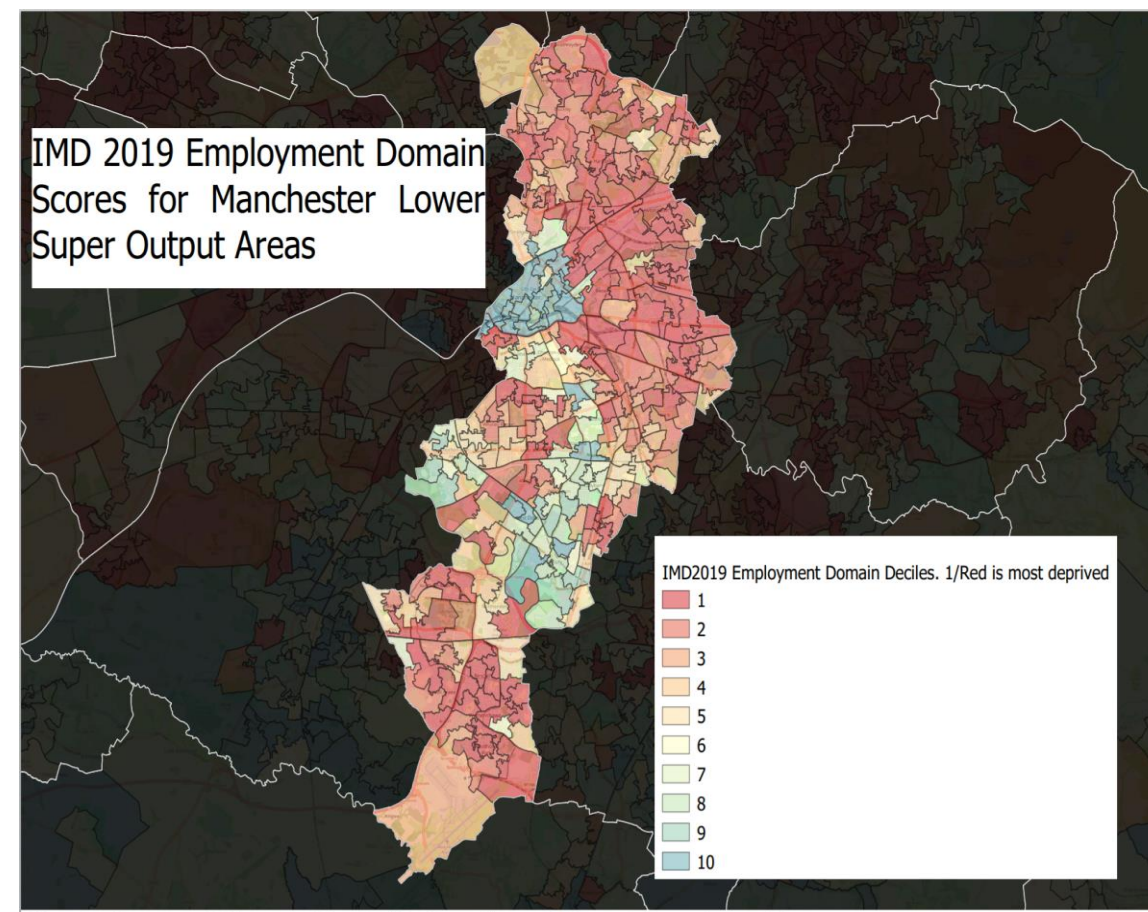
The UK labour market is facing an unprecedented crisis. Most forecasts for GB unemployment in 2020 are in the range 9-11%, but could go higher if the ending of furlough produces significant redundancies.

April 2020 saw the largest monthly rise in the claimant count rate in Manchester on record with a jump to 7.4%, the highest rate this century, followed by another very large rise to 8.8% in May. Jobcentre Plus feedback suggests this rise in new benefit claims is starting to level out for now

Some places have been more badly affected than others by initial job losses



Map by Brennan Wilson Ltd. Data from ONS, Claimant Count and Open Street Map



Map by Brennan Wilson Ltd in QGIS. Data from ONS and OpenStreetMap

Between March and May 2020, every lower super output area (LSOA) in Manchester experienced an increase in the Claimant Count, in the range of 10 to 145. Most LSOAs with the highest increase in the claimant count are already classified as Employment Deprived using the IMD2019 Employment Domain but not all Employment Deprived neighbourhoods experienced large increases in the Claimant Count. A number of neighbourhoods with large BAME communities appear to be those that have suffered in the first wave. Other communities with lower initial job losses may be heavily dependent on employment that is currently furloughed.

Most of the 20 neighbourhoods worst affected by the rise in Claimant Count to date have majority BAME populations

Lower Super Output Area	Claimant Count rise March-May 2020	Percentage of population from BAME groups (2011)	Ward
E01005194 : Manchester 027A	145	70%	Levenshulme
E01005240 : Manchester 024A	125	70%	Whalley Range
E01005242 : Manchester 025B	120	69%	Moss Side
E01005219 : Manchester 031A	120	45%	Levenshulme
E01005145 : Manchester 008A	115	86%	Cheetham
E01005147 : Manchester 058B	115	67%	Cheetham
E01005140 : Manchester 002E	105	19%	Harpurhey
E01005164 : Manchester 006A	105	51%	Crumpsall
E01033666 : Manchester 017F	105	24%	Clayton & Openshaw
E01005246 : Manchester 024D	105	84%	Moss Side
E01005241 : Manchester 025A	105	46%	Moss Side
E01005244 : Manchester 025C	105	60%	Moss Side
E01005233 : Manchester 027D	105	76%	Longsight
E01005205 : Manchester 006B	100	24%	Harpurhey
E01005214 : Manchester 019D	100	46%	Hulme
E01005201 : Manchester 023E	100	52%	Gorton & Abbey Hey
E01005288 : Manchester 025E	100	57%	Moss Side
E01005213 : Manchester 059A	100	45%	Hulme
E01005105 : Manchester 015C	95	46%	Ancoats & Beswick
E01005208 : Manchester 019A	95	51%	Hulme

Source: ONS, Nomis

The table to the left uses the same ONS Claimant Count data as shown on the previous page. It shows the twenty LSOAs in Manchester that saw the largest rise in the Claimant Count between March and May 2020.

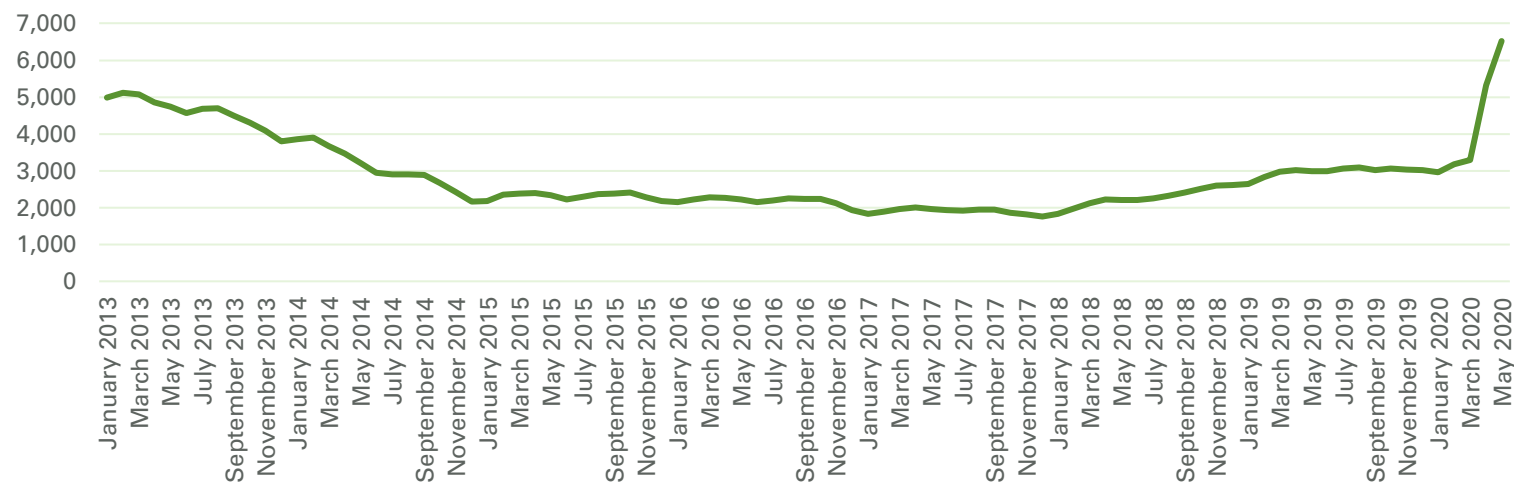
This table shows that out of the 20 LSOAs that saw the largest rises in the Claimant Count between March and May, 18 are home to BAME populations that are proportionately larger than the city average (33%).

Of the five LSOAs with the very largest rise in claimant count, all bar one has a BAME share of the population that is more than double the city average (66%).

National data suggests that South Asian BAME residents are over-represented in employment terms in sectors that have been most impacted by lockdown. For example, 31% of workers from Pakistani or Bangladeshi communities work in hotels, restaurants and distribution, compared to 17.5% of the White British workforce.

By age group, young people have fared worst so far

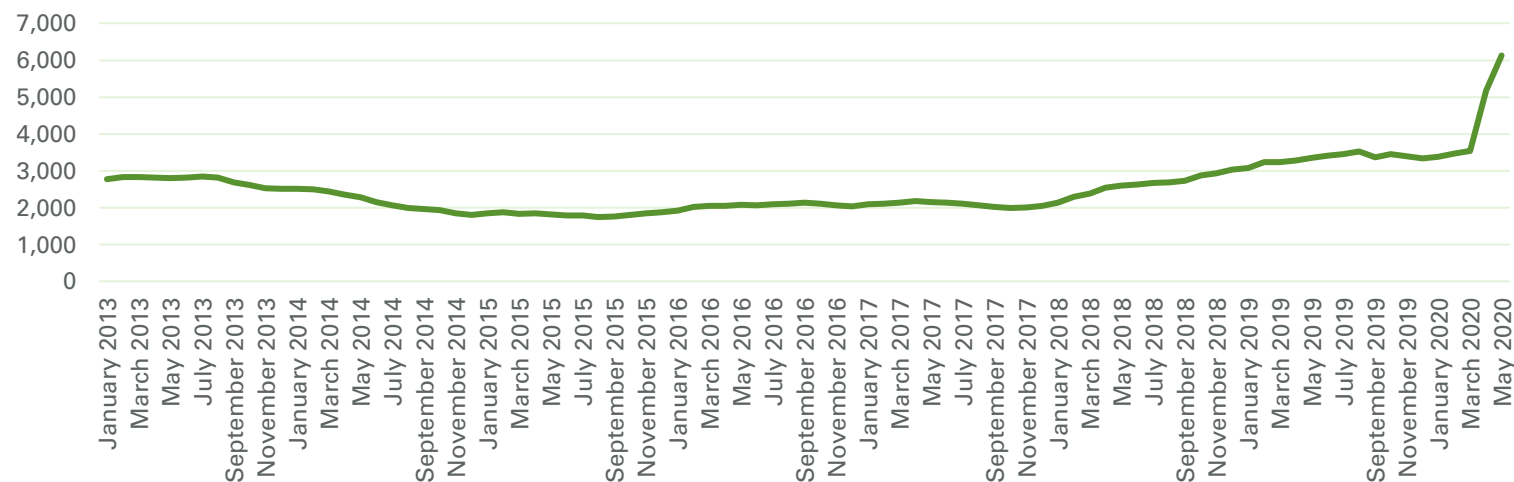
Manchester 18-24 Claimant Count, 2013-2020



National commentators expect that young people will bear the immediate brunt of the labour market downturn. In employment terms they are over-represented in the sectors and occupations most affected by the lock down and by social distancing requirements.

In Manchester, the Claimant Count for young people increased by 98% (109% for GB) between March and May, to the highest point for this data series.

Manchester 50+ Claimant Count, 2013-2020

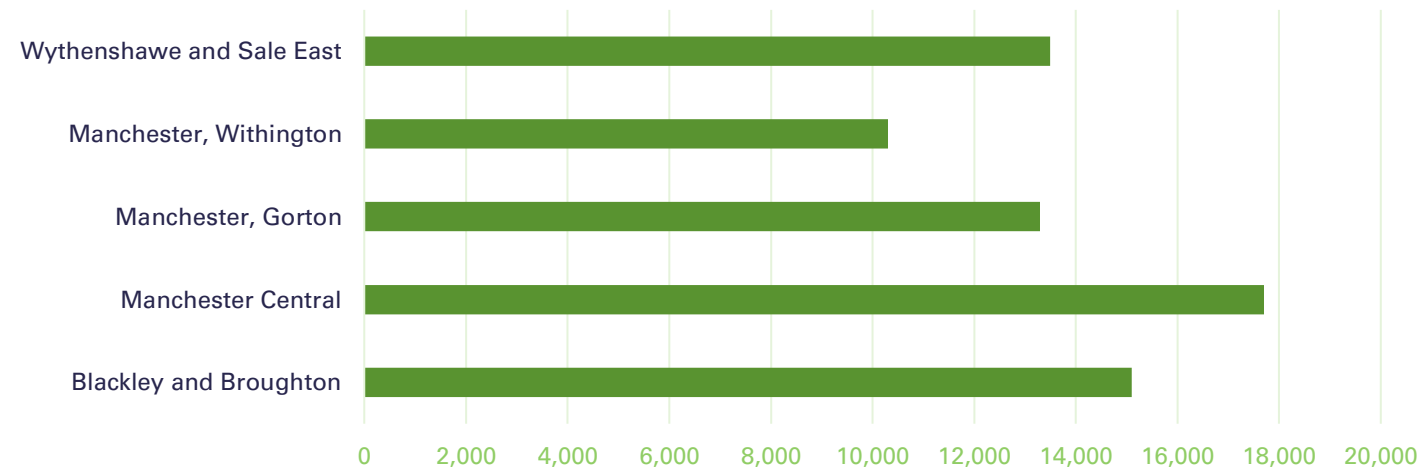


All ages are affected. The claimant count for those aged over 50 increased by 73% (99% for GB); while for those aged 25-49 it rose by 94%.

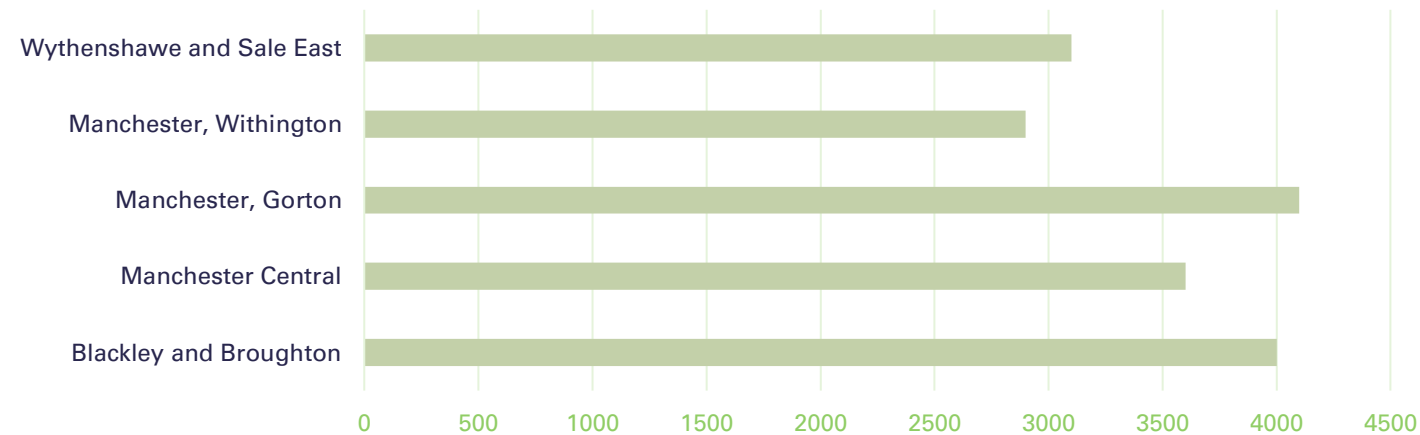
The claimant count for males rose by 98% in Manchester Mar-May, and by 79% for females.

78,000 Manchester residents are furloughed or receiving self-employed support

Furloughed Emploments by Parliamentary Constituency



Self-employment Income support scheme claims by end of May by Parliamentary Constituency

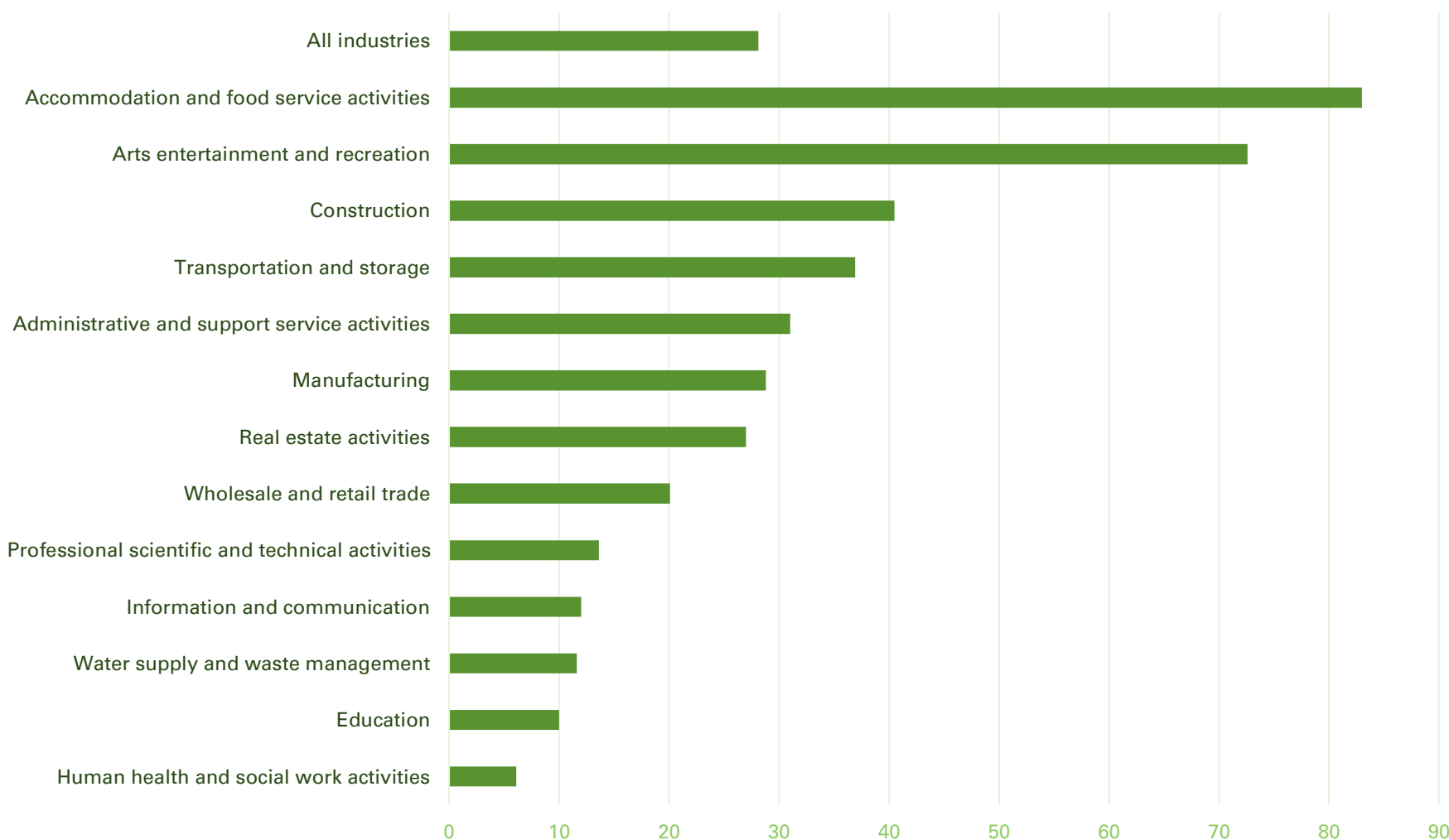


CIPD reports that employers using the Job Retention Scheme (JRS) would have made 35% of their workforce redundant had it not been for the scheme and that 22% of employers are forecasting redundancies by the end of July.

A YouGov survey of 500 businesses found that 51% expect to lay staff off within 3 months of the JRS closing. One in five employers anticipates losing 30% of their workforce. Only one in three employers anticipate losing no staff.

As at the end of May, 62,200 Manchester residents were furloughed. The highest concentration is in the Manchester Central parliamentary constituency. 15,900 self-employed Manchester residents have made claims to the Self-employed Income Support Scheme, around 70% of those eligible.

Furloughing most common in foundational service sectors



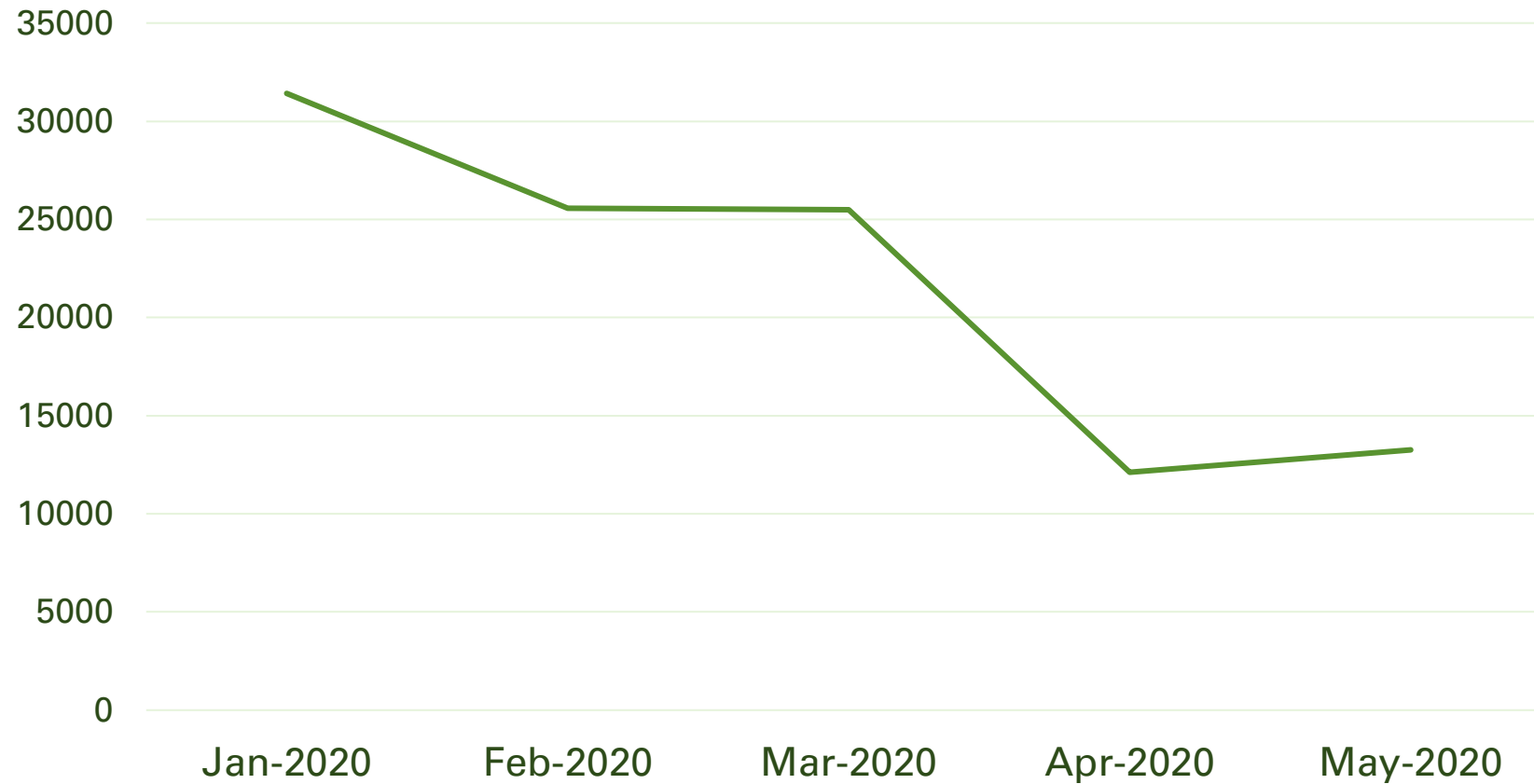
ONS estimates for the proportion of the workforce from different industrial sectors that have been furloughed are shown opposite.

If these estimates are applied to the volumes employed in each sector in Manchester, it generates an estimate of 95,000 people who work in Manchester (including non-residents) on furlough.

This includes almost 30,000 in accommodation and food service activities, 15,000 in Administrative and support services, 11,000 in transportation and storage, and 10,000 in wholesale and retail.

Job Postings by Month

Job losses are being compounded by low levels of recruitment



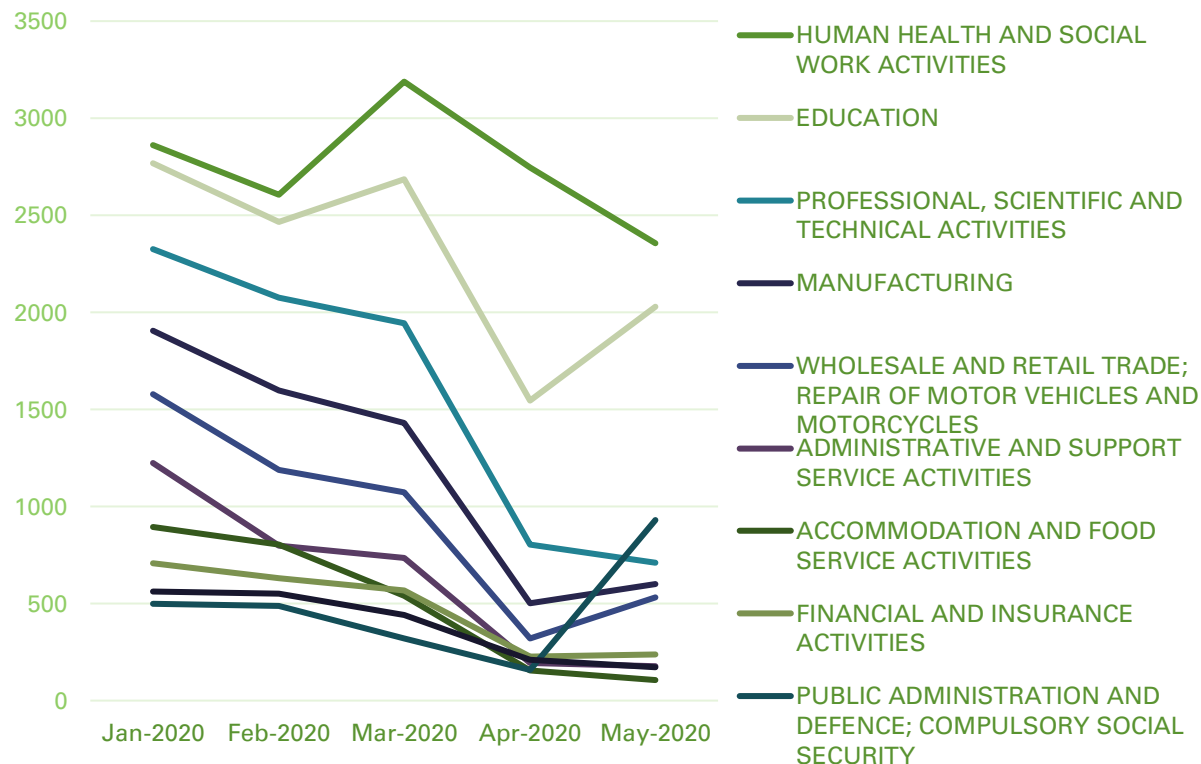
March to April saw a sharp decline of 52% in online job postings in the Manchester Travel to Work Area.

There has been a small uptick from April to May with an increase of 9% in this period from a very low base.

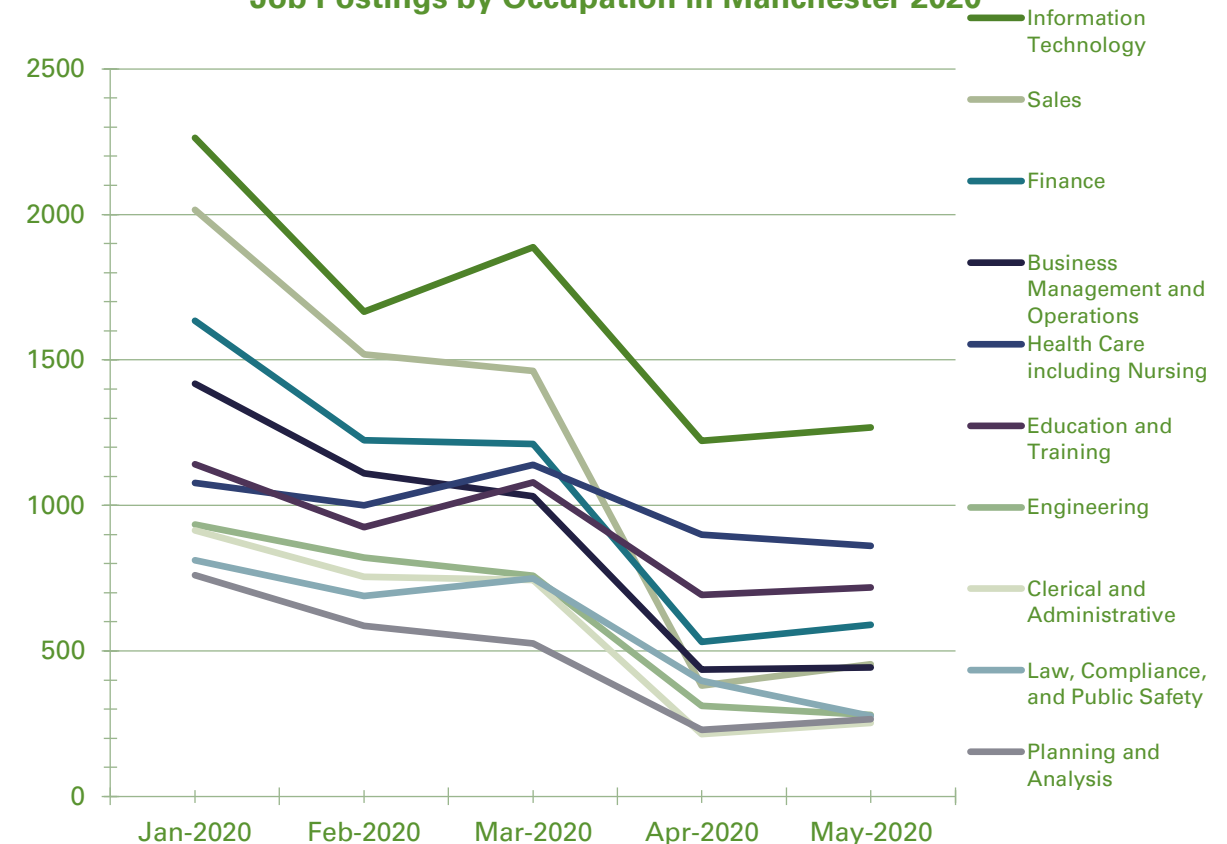
Every industry/occupation has low recruitment but patterns vary

Job vacancy postings increased between April and May for sectors such as Public Administration (civil service, regional/local government), Education and Manufacturing. All sectors saw a sharp decline in postings in April.

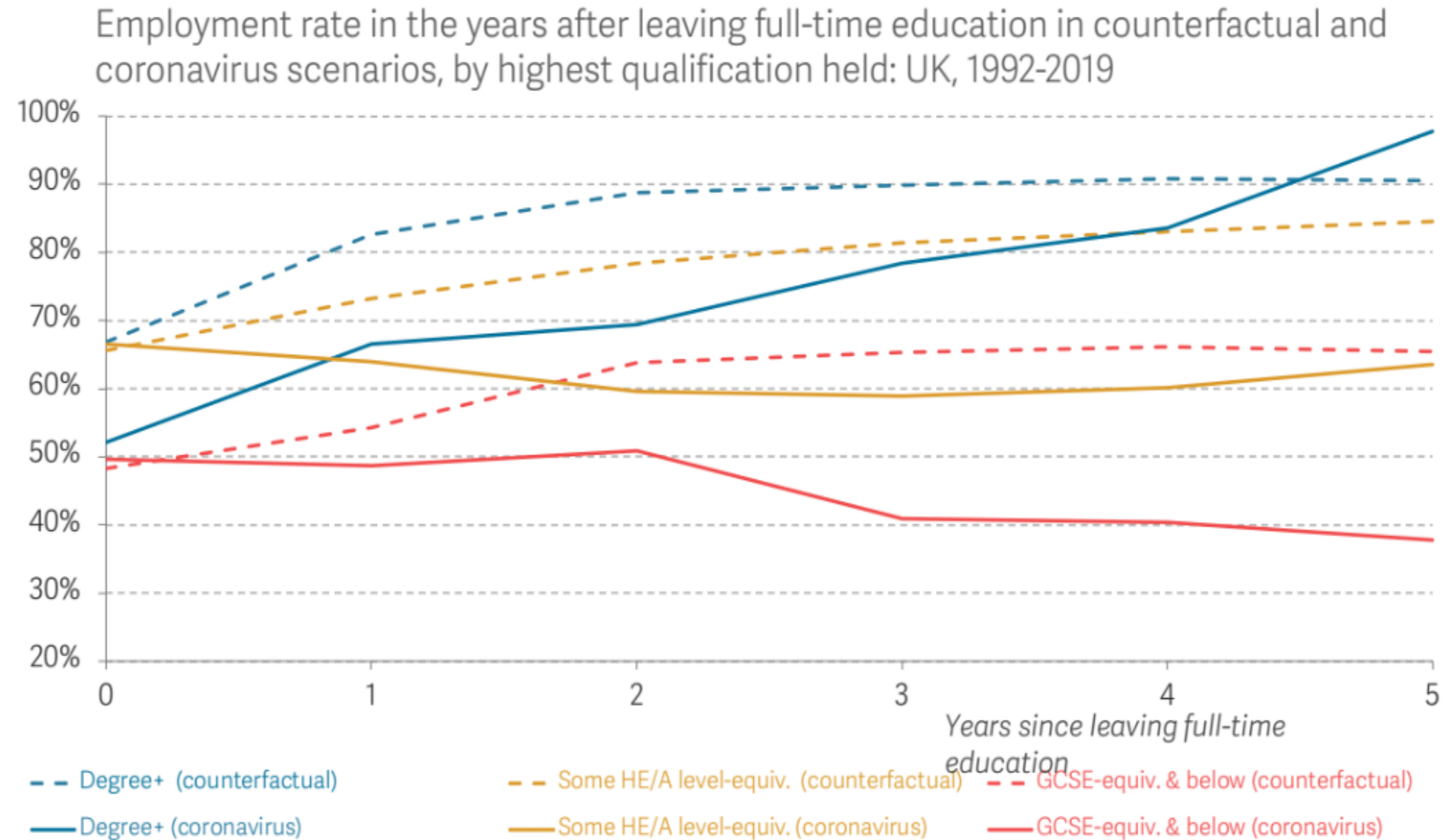
Job Postings by Industrial Sector in Manchester TTWA in 2020



Job Postings by Occupation in Manchester 2020



Low qualified education leavers will face years of labour market disadvantage



Projections by the Resolution Foundation (which are based on evidence from the years following the financial crash) suggest that employment rates for lower qualified education leavers three years after leaving education could be as low as 40%.

Apprenticeship starts have halved, with young people worst affected

Provisional DfE data shows a 51% decline in apprenticeship starts in April 2020 compared with April 2019. This figure rises to a 74% decline among young people aged 16-18.

As the table opposite shows, the biggest percentage falls were in Intermediate apprenticeships (Level 2), and in construction, engineering, and retail and commercial enterprise (including hair and beauty).

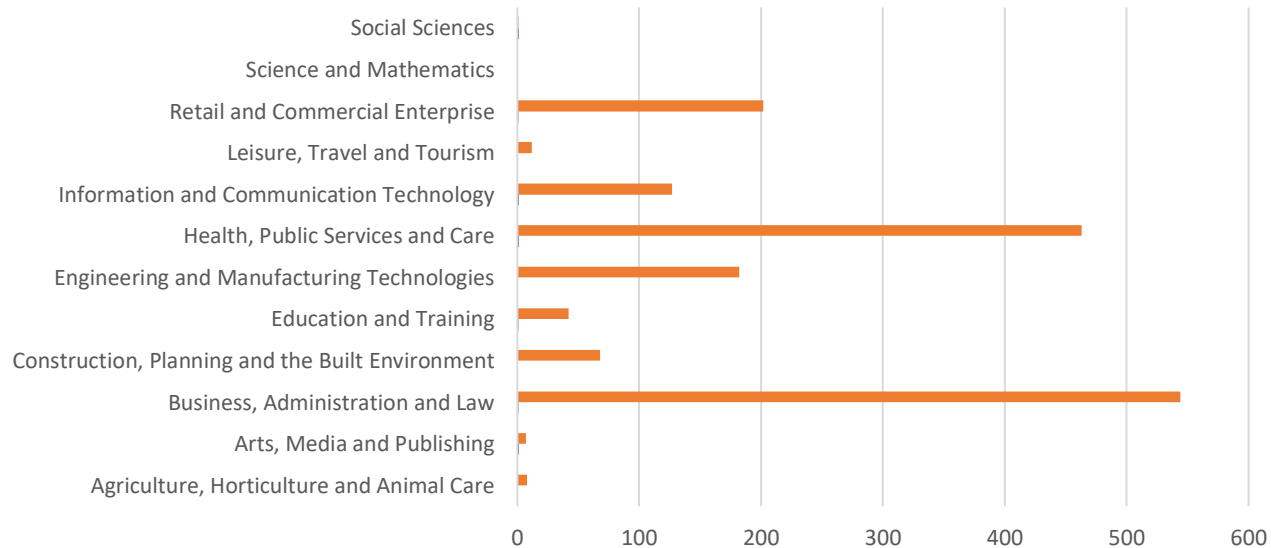
Locally, survey data indicates that these patterns are being repeated. In late May, the members of Greater Manchester Learning Provider Network (GMLPN) reported a 50% fall in starts, with 1 in 5 apprentices placed on furlough. Very few (under 1%) of apprentices had been made redundant.

Nationally, two-thirds of starts in April were among people aged over-25, as employers pause recruitment and instead focus on using the lockdown for workforce development.

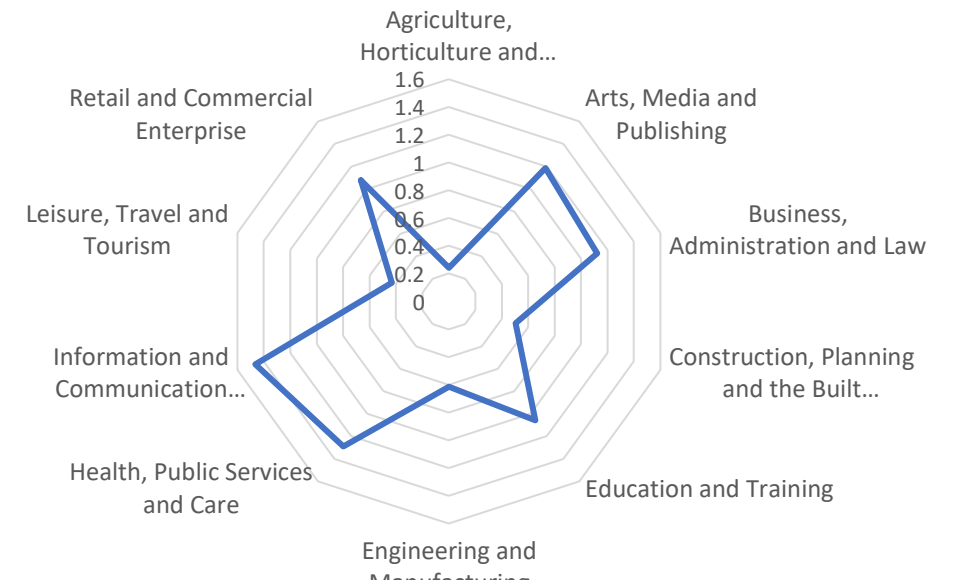
	2018/19 (at this point last year)		2019/20 (reported to date)	
	Apprenticeship starts	Proportion of total	Apprenticeship starts	Proportion of total
Level				
Intermediate Apprenticeship	9,680	36.8%	2,950	22.7%
Advanced Apprenticeship	12,150	46.2%	5,670	43.5%
Higher Apprenticeship	4,500	17.1%	4,400	33.8%
Sector subject area				
Agriculture, Horticulture and Animal Care	260	1.0%	110	0.9%
Arts, Media and Publishing	50	*	70	0.5%
Business, Administration and Law	7,990	30.3%	4,730	36.3%
Construction, Planning and the Built Environment	650	2.5%	180	1.4%
Education and Training	380	1.5%	300	2.3%
Engineering and Manufacturing Technologies	2,410	9.2%	620	4.8%
Health, Public Services and Care	8,140	30.9%	4,410	33.9%
Information and Communication Technology	1,560	5.9%	1,210	9.3%
Leisure, Travel and Tourism	330	1.3%	120	0.9%
Retail and Commercial Enterprise	4,560	17.3%	1,260	9.7%
Science and Mathematics	-	*	10	*

Apprenticeship starts by sector for Manchester residents

Apprenticeship starts by Manchester residents Aug 2019-Jan 2020



Location Quotient of Manchester resident apprenticeship starts
Aug 2019 - Jan 2020

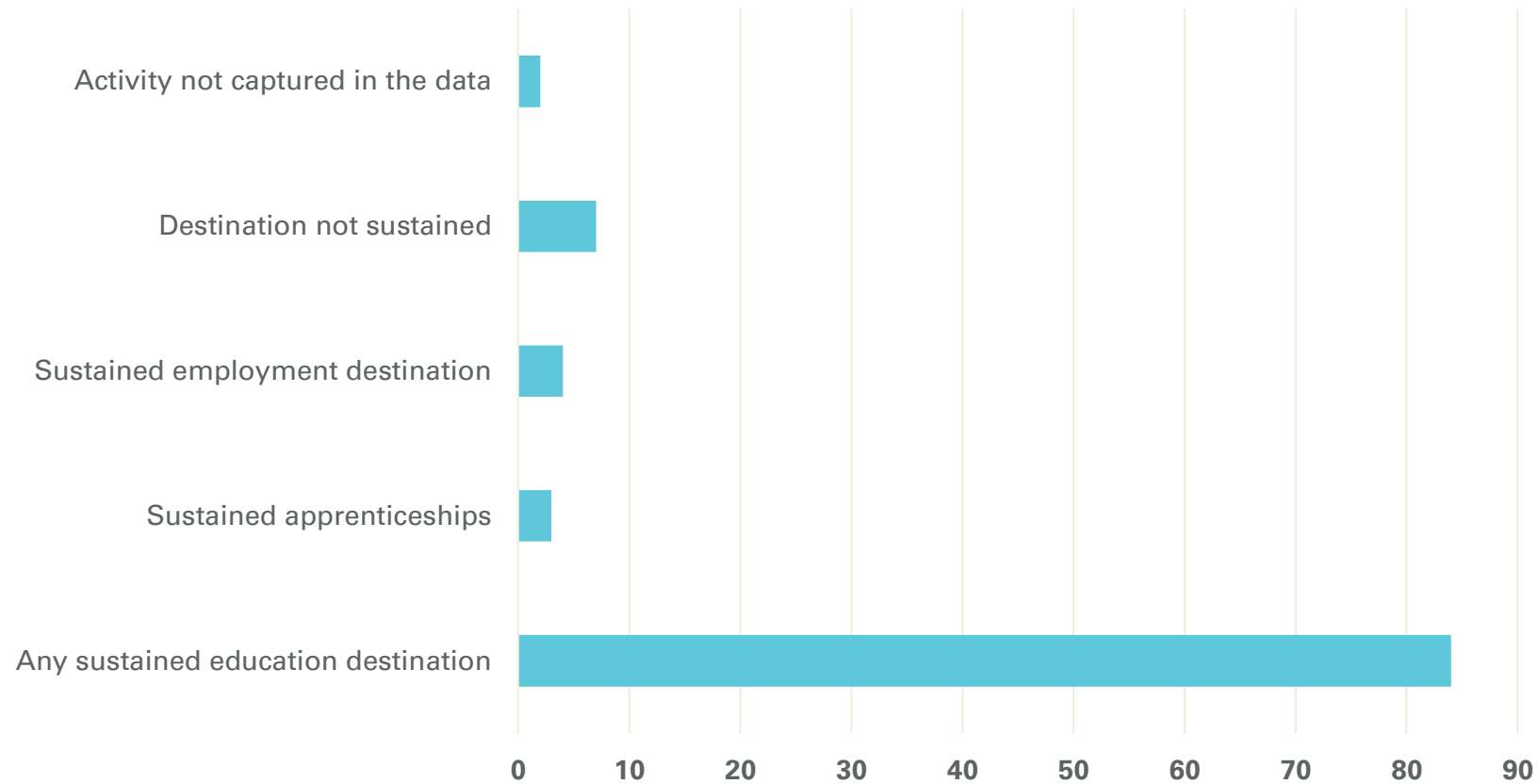


All sectors have seen apprenticeship starts fall in the past few months. However data on apprenticeship starts by Manchester residents show higher concentrations in sectors that have seen below-average falls in starts, such as business admin, ICT, health and care.

83% of 16-18 year old Manchester apprentices were new recruits in the period Aug 2019 to Jan 2020. Employer recruitment activity is likely to be constrained for the remainder of this calendar year. Critically, this appears likely to depress 16-18 starts in the peak months of Aug, Sept and Oct, further narrowing opportunities for young people.

Estimated 800 16 year olds, maybe more, 'at risk' in summer 2020

Destinations at Key Stage 4 of Manchester Residents (2017/18) %



In 2017/18, 84% of the 16 year olds that left school progressed to post-16 education. 3% sustained an apprenticeship, 4% entered employment, 7% did not sustain a destination and there was no data for 2%.

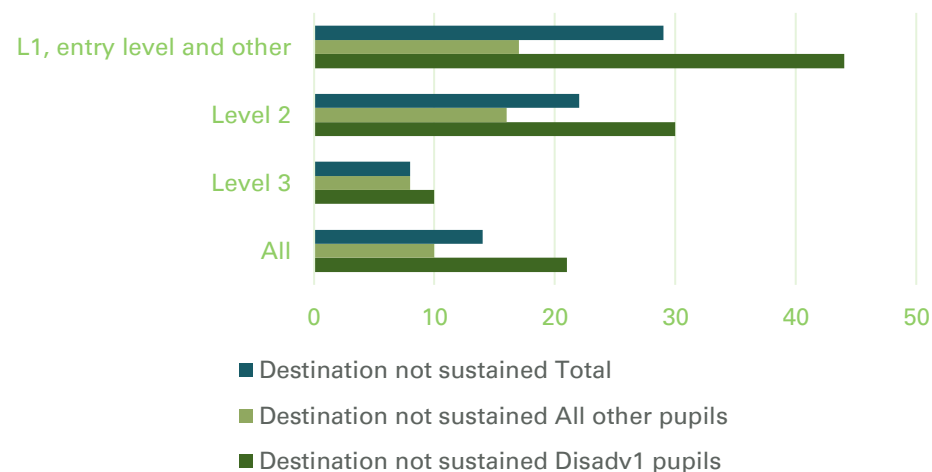
In 2020 apprenticeship or employment opportunities will not be available to the same extent, so 16% of the cohort can be considered 'at risk'. This amounts to approximately 800 16 year olds.

Data suggests that in 2020 48% of the Key Stage 5 cohort will be 'at risk'

Manchester KS5 Sustained Apprenticeship



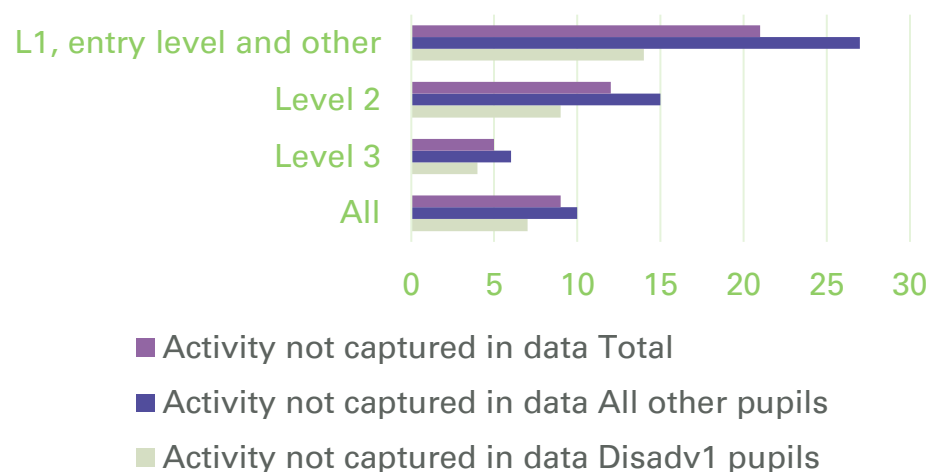
Manchester KS5 Destination not sustained



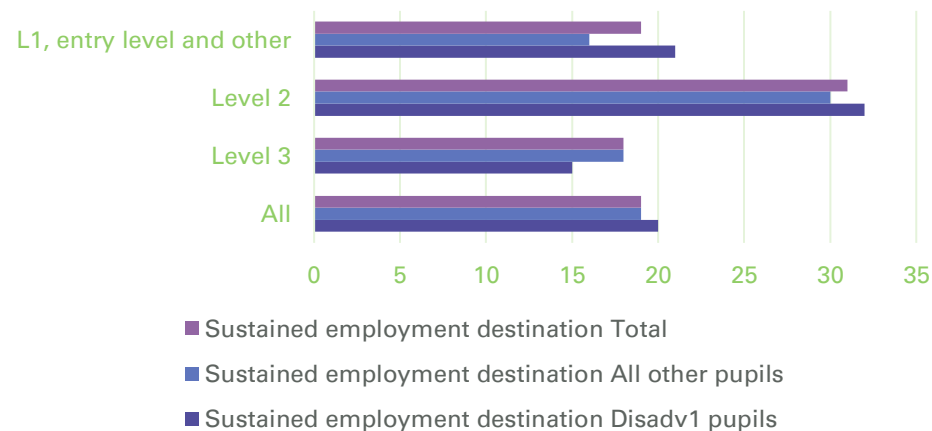
In 2020, the opportunity for a KS5 leaver to secure employment or an apprenticeship will be constrained.

In 2018, 6% of the KS5 cohort secured an apprenticeship, 14% didn't sustain a destination, there is no data for 9% of the cohort and 19% secured employment. All of these destinations can be considered 'at risk' in 2020. That is 48% of the cohort (around 2500 young people), rising to 57% of the FSM/ disadvantaged cohort

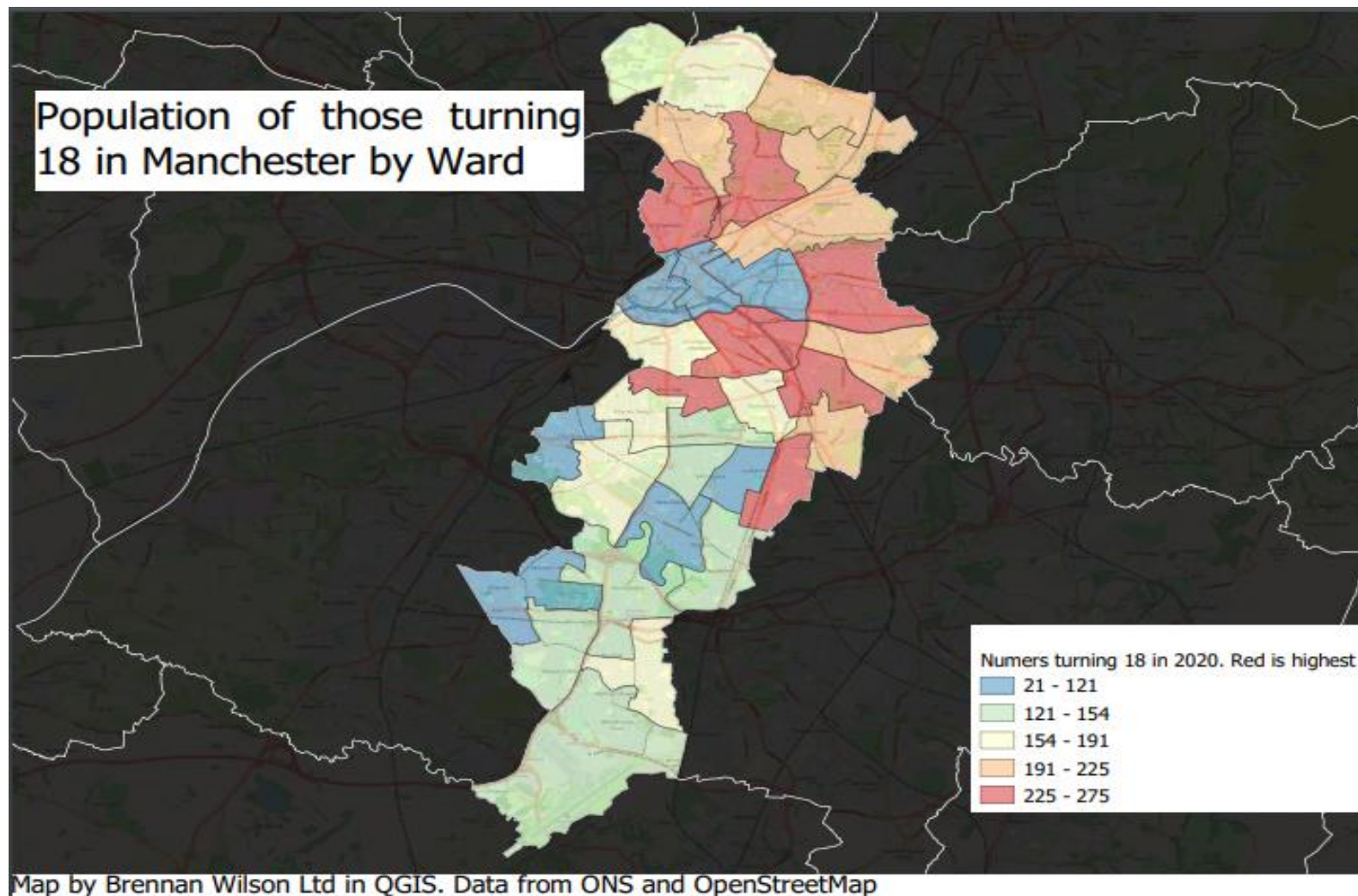
Manchester KS5 Destination no data available



Manchester KS5 Sustained Employment Destination



Young people turning 18 in 2020 are unevenly distributed

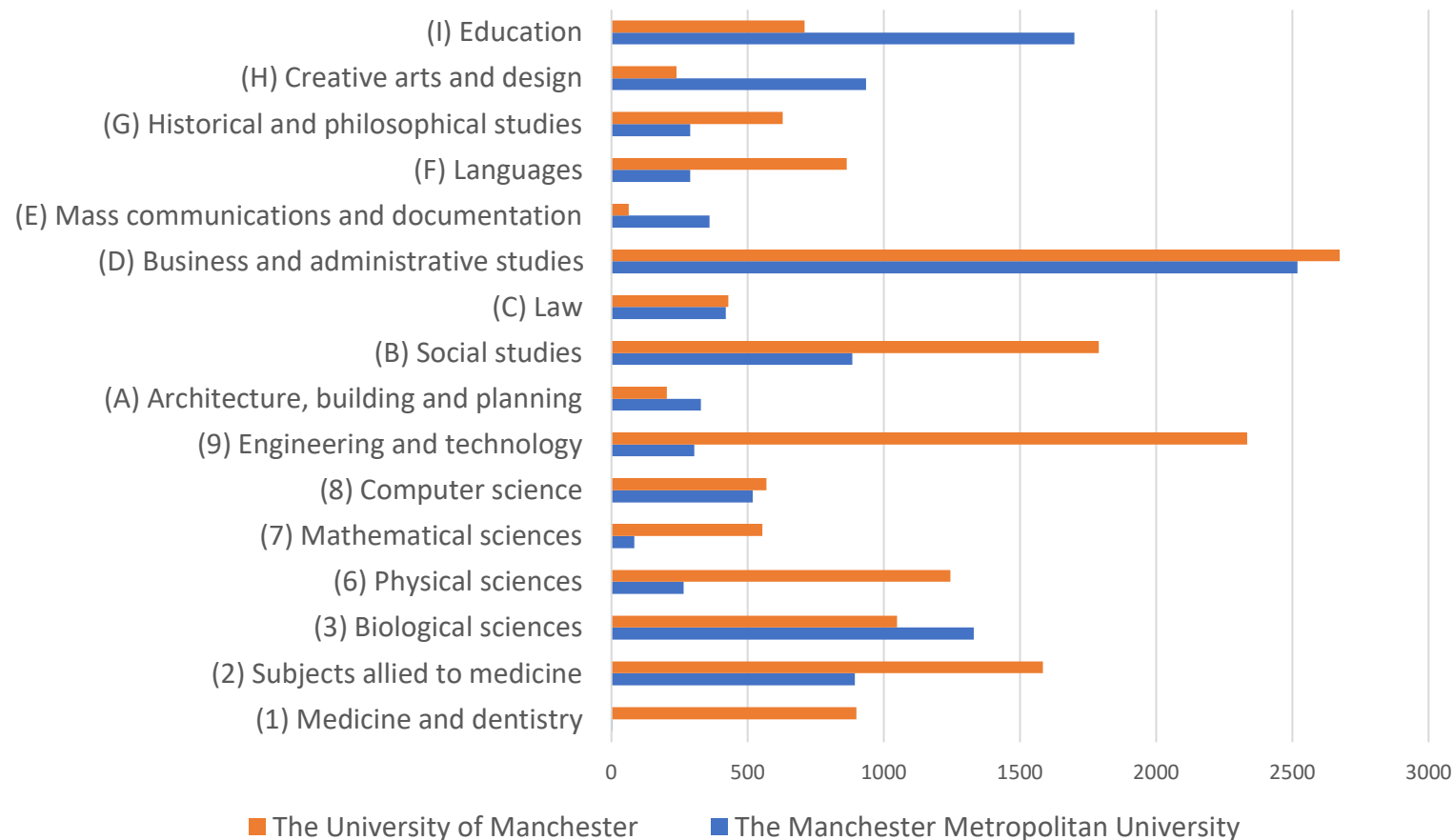


The number of young people expected to turn 18 in 2020 (16 in 2018) in wards in Manchester ranges from 21 to 275. The highest concentrations of young people turning 18 in 2020 can be found in communities including:

- Moss Side
- Longsight
- Burnage
- Ardwick
- Cheetham Hill
- Harpurhey
- Clayton and Openshaw

Almost 10,000 Graduates will enter the city's labour market in 2020

Subject area of qualifications achieved at Manchester universities,
Summer 2019



In 2018/19, MMU and the University of Manchester awarded qualifications to 27,010 students at all levels. It is estimated that 18,900 of these were UK domiciled students (30% of the combined intake of both universities were international students). The subject areas in which qualifications were achieved are set out opposite.

According to HESA, 51.5% of students stay in Manchester following graduation. On this basis it is estimated that almost 10,000 graduates will be entering the city's labour market or undertaking further study in the city in 2020.

Summary

- The impact on Manchester's labour market has been significant but broadly in line with national trends. However prior to C-19, Manchester had higher-than-average levels of unemployment and poverty, and C-19 has added substantially to this.
- The rise in people claiming benefits due to unemployment is unprecedented – up by 89% March-May, to reach 34,000 people. We expect this number will rise further, at a slower pace. Neighbourhoods with large BAME populations have seen the highest rise in claimants to date.
- 30% (78,000) of working Manchester residents are on furlough or supported self employment. Estimates vary, but only 1 in 3 employers report that they currently plan to make no redundancies in the coming months.
- Labour demand has fallen sharply. Vacancy postings have halved, but rose slightly in May. We have no clarity on whether the recovery will be swift, or slow – the latter being more damaging
- Apprenticeships is a mixed picture. Starts have fallen. But redundancies are low so far and Manchester's most popular apprenticeship sectors are proving to have more resilient demand. However the outlook for Aug/Sept/Oct is worrying, especially for young people
- Based on previous trends in destinations, we estimate that c3500 key stage 4 and key stage 5 leavers in Manchester are 'at risk' this summer
- We expect several thousand graduates to enter or seek to enter work in the city's labour market over the summer

Emergent themes

Our analysis of the labour market data provided an initial list of opportunities and challenges facing the city, which were explored further via our interviews with key partner organisations and stakeholders.

The emergent themes – listed broadly by urgency of the issue - are listed below.

- Working with people on furlough and education leavers
- Securing the participation of existing apprentices so they complete, and supporting enrolments over the summer/autumn
- Additional employment and skills support for priority groups: such as young people (especially low-skilled), minority ethnic groups, over-50s
- Improved return to work support
- Moving forward major projects, stimulating new labour demand
- How to mitigate impacts on those who are already long term unemployed

4. Findings

Future labour demand and supply
opportunities and challenges

Findings - method

Equipped with our desktop analysis of the labour market, the project team sought further insight via 44 interviews encompassing 52 individuals. The discussions focused upon understanding from each interviewee:

- How the pandemic has impacted on their organisation
- How they expect their operating environment to change further in the short and medium term
- What this means for their organisation, its workforce and the customers and communities they serve
- How Manchester City Council can best support the city's economy and labour market to mitigate the impact of C-19 and maximise growth opportunities – drawing on the emergent themes listed previously

A mix of interviewees enabled views from a wide range of stakeholders to be gathered, as per the table below.

Type of interviewee	No. of interviews
Employers and employer networks	20
Providers of employment support, business support, education and skills training	10
Local, city regional and national	14

Presentations at MCC's Work and Skills Board further extended the number of individuals who were able to comment on the project as it evolved. A full list of interviewees is available at Annex A.

4.1 Findings: Future labour demand

Employer goodwill

- Employer goodwill is very strong. Every employer that we spoke with supported efforts by MCC to plan for the recovery, displaying a genuine willingness to help the city and its residents at this challenging time.
- The next few months present an opportunity for MCC and its partners to capitalise on this goodwill, employers appear very willing to participate in programmes, feed back intelligence and insight, playing the fullest part in supporting the city's recovery.
- There is a sense of shock among many employers about the scale of the labour market downturn now affecting the city and the country.
- Employers expect MCC to lead the recovery in the city - setting the agenda, developing new programmes and securing capital investment. Such leadership will help build confidence in the city and its economy.

Employer uncertainty

- No employer that we spoke with confidence about their organisation's future plans, particularly in relation to the workforce – a 'wait and see' approach has been almost-universally adopted.
- Uncertainty about government guidance, consumer behaviour, staff welfare and the risk of a second wave of C-19 infections are making employers' decisions about workforce investment very difficult. The picture is most uncertain in sectors that have the highest exposure to future lockdown risks – such as leisure and the visitor economy.

Findings: Future labour demand

Labour demand is weak and further job losses are to be expected

The winding up of the Government's furlough scheme and difficult trading conditions are likely to result in further job losses over the coming months. The transition out of the furlough scheme from August to October will be absolutely critical – employers we spoke to were unsure about the likely scale of job losses, but most expected that their firms will shed staff post-furlough. Feedback suggests the key risks to the city include:

- Manchester Airport, where around 25,000 staff work, many living in the Wythenshawe area. Furloughing has helped to minimise redundancies to date, however the Airport saw a 99% reduction in flights and 'normal' operations may not return until 2022, impacting on the Airport and related jobs
- Retail, especially in non-food sub-sectors and within grocery too, where the major retailers have recruited additional temporary staff (in the case of the Co-op, 5000 were recruited nationwide) who may be let go as consumer behaviour starts to return to normal
- Hospitality and the night-time economy. The re-opening of pubs and restaurants will breathe some life back into the sector, but culture and arts venues remain closed and many businesses cannot operate profitably even with reduced social distancing requirements now in place. Ventures supported by private equity are thought to be most at risk. The visitor economy has collapsed, with hotels reporting that they expect up to 25% occupancy over the remainder of 2020.
- Universities, which are facing steep drops in income. Lower-paid teaching, admin and back office roles are thought to be most at risk in the coming academic year

Findings: Future labour demand

Furlough scheme is not the only potential cliff-edge

Furlough is the best-known and most significant feature of Government's Coronavirus Job Retention Scheme. The 62,000 Manchester residents on furlough will start to fall from late July, as new applications to the scheme end 30 June. By August employers will pay NI and pension contributions for furloughed staff; in September employers must contribute 10% of salary costs, rising to 20% in October, before the scheme closes.

Employers fear a cliff-edge, whereby they need staff to run their business but have insufficient orders/sales to create the cashflow required to keep people in work.

Other national initiatives are also set to wind down in the coming months, which may put individuals and employers under financial pressure. These include:

- The end of the Self Employment Income Support Scheme, which has been providing financial support to almost 16,000 Manchester residents who are self-employed but do not operate through limited companies. A second and final grant will be paid to participants in August, to cover up to 70% of monthly profits (capped at £6570) for June, July and August.
- Temporary VAT relief for business ends from 30 June, with payments deferred between March and June 2020 required to be paid by 31 March 2021.
- For the self-employed, tax self-assessment payments due on 31 July 2020 can be deferred but must be paid by 31 January 2021.

Findings: Future labour demand

Despite a drop in labour demand, some sectors are still creating job opportunities

Manchester's labour market is very diverse and this gives it a degree of resilience against sector-specific shocks. The GM Forecasting Model states that around 35,000 vacancies are created in Manchester each year as a result of companies needing to replace staff who have left jobs.

While the number of people changing jobs may fall during a recession, feedback indicates that Manchester's economy has continued to create opportunities, those being seen now and in the short term include:

- Transport and delivery driver roles, responding to online retail and grocery/prepared food demand
- Contact centres, many of which have been able to shift to working from home
- IT sector roles, especially those in occupations linked to e-commerce
- Health and care. Jobs within the NHS remain in high demand. Jobcentre Plus and employment support providers report that candidate interest in vacancies in social care is growing and that vacancies remain
- Construction, which has quickly returned to activity levels close to the pre-Covid period on major sites, especially in more senior project management and professional roles

Several respondents highlighted that the return of many migrant workers to Eastern Europe has had a 'cushioning' effect on the labour market, creating more vacancies that would otherwise be available.

Findings: Future labour demand

Medium to long term labour market prospects

Societal trends – such as an ageing population, technology and attitudes to climate change – and capital investments are key to maximising Manchester's medium and long term labour market prospects.

On the former, interviewees reported that medium to long term labour demand in health and care and ICT/digital sectors is likely to be robust due to anticipated growth in demand for services such as health, care and e-commerce (which already have concentrations of roles within the city).

On digital, interview feedback stated that Manchester can further accelerate growth via increased foreign direct investment and 'north shoring' from London, but only if the city can strengthen its talent pipeline in occupations such as cyber security, software development and UX/UI.

Confidence in the construction sector also appeared quite robust, especially in relation to major projects which are increasingly financed by pension funds and other forms of patient capital, rather than banks. Financial services is another sector where confidence appears solid, with few C-19 related redundancies expected.

Recent years has seen a rise in the skill requirement of jobs in Manchester – half of all jobs in the city today are management, professional and associate professional roles, up from 40% a decade ago. While this has undoubtedly helped Manchester's economy grow, few employers expect to see growth in entry level jobs over the long term. This has the potential to further narrow job entry opportunities for those with low skills, placing a premium on activity that enables staff in low paid jobs to upskill and progress in their careers.

Findings: Future labour demand

No lack of major projects with potential to drive growth

While Manchester has a handful of key sectors with positive medium to long term growth trajectories, feedback indicated that major investments will be required to further support the growth of the local economy and labour market, through the development phase (construction) and on to end users. This includes:

- Catalytic projects such as North Manchester General Hospital, Northern Gateway, and Mayfield
- New research and scale-up manufacturing sites, such as the Manchester Manufacturing Innovation Park (North – advanced materials; South – healthcare) and Innovation District Manchester
- Expansion of Space Studios Manchester, further boosting film and TV production in the city

Manchester's approach to achieving zero carbon by 2038 is yet to develop its work and skills planning so quantifying the scale of opportunity is difficult. However, several action areas hold the promise of new jobs and training requirements, some of which could be suitable for ILM activity, eg:

- Domestic retrofit, which for social housing alone would include 70,000 properties at a cost of £1bn (most likely via a BEIS capital programme), with privately-owned properties upgraded later
- Renewables generation from commercial and public buildings, such as PV on roof spaces
- The prospect of new building regs requiring zero carbon new builds, possibly by 2023 in the city
- Low carbon vehicles and infrastructure development – vehicles, charging points, cycle routes etc
- Environmental activities, such as Manchester's slice of the £100m community forest planned between Hull and Liverpool

Findings: Future labour demand

Supply chain resilience needs may create opportunities

The pandemic and the growing risk of a no-deal Brexit have focused attention on the resilience of supply chains in sectors such as construction, food, textiles, aerospace. While large-scale reshoring is not anticipated, there is potential to create growth and jobs in high value/niche areas over the medium to long term. Employers report that domestic supply chain participation is limited (especially in construction). Supply chain disruption is now being priced into products and contracts, narrowing overseas producers' cost advantage. Employers based within or operating in Manchester indicated their willingness to work with MCC and GMCA to share best practice and explore opportunities for increasing supply chain participation within the local area.

Changes to working practices

Landlords and employers were unclear about whether the experience of lockdown will change working practices over the longer term, but some trends may have implications for the function of the labour market in the city centre. Around 25% of city centre offices were reported to be open in mid-June, partially occupied though staff in senior roles (with more disposable income) are more likely to still be working from home. Firms may be less willing to locate in areas with heavy reliance on busy public transport.

Studies in London suggest that overall demand for Grade A office space may fall around 20% over the long term, though opinions vary on this point. Employers reported being more comfortable with staff working from home, potentially squeezing demand for office floorspace. However this may be balanced if social distancing requires less intensive office use. There are also implications for hospitality and retail if the working population of the city centre does not recover to pre-pandemic levels.

4.2 Findings: Supporting residents

The scale of the crisis means radical steps are required

The unprecedented pace at which the Claimant Count has grown, and the risk of further rises as the furlough and self-employment schemes unwind, means that there was a consensus among respondents that ‘business as usual’ responses will fail to deal adequately with the scale of the labour market challenge.

This does not mean that a wide range of new programmes are required – in general, respondents feel that it is better to build on existing programmes where possible – but there is an acknowledgement that for some priorities either no such intervention currently exists or the severity of the issue necessitates new approaches.

Concern that labour demand will be insufficient

Several interviewees expressed concern that the number of available jobs will be insufficient relative to the number seeking jobs, recommending that MCC and its partners bring forward key projects and other interventions to stimulate labour demand.

There was a consensus that any programmes introduced to support residents to remain in or return to work must be co-designed and implemented with employers, so that local people can be best prepared to meet the requirements of occupations where employer demand is either already known or likely to materialise.

Findings: Supporting residents

Several groups were identified by interviewees but not all can be priorities

Young People: Respondents felt that young people are likely to be most exposed to the labour market downturn, with the potential for a career-long 'scarring' effect of youth unemployment. Young people more commonly lack experience and workplace skills, putting them at a disadvantage when seeking jobs, especially if they have low prior skills attainment. Employers added that social distancing and working from home reduces their capacity to recruit and train young people.

Over-50s: Manchester has high levels of worklessness among its over-50 population, much of this is understood to be a legacy of mass unemployment in the 1980s. There is a broad consensus among respondents that this group requires tailored support, with digital skills and re-training, along with age-sensitive advice and support within programmes.

Black, Asian and Minority Ethnic residents (BAME): The spike in the Claimant Count in neighbourhoods with high BAME populations is reported to be driven by the high proportion of residents in these areas who work in occupations linked to hospitality and the night time economy. Contributors emphasised the need for support with career progression for existing BAME workers, retraining opportunities linked to vacancies and digital/ESOL skills for the unemployed.

Existing long-term unemployed and inactive: There are around 30,000 Manchester residents who were already long term unemployed or inactive before the crisis hit. With large numbers of people newly unemployed, interviewees are keen to ensure that support for the long-term unemployed is not deprioritised in the face of other demands on resource.

Other claimant groups: Some contributors were keen to ensure that, while levels of need will be greater in priority groups such as those highlighted above, this should not eclipse others such as adults aged 25-49, many of whom support dependent families. Graduate unemployment is also a risk locally, given a large student population and high graduate retention rate.

Findings: Supporting residents

Flexible models are required for employment and skills support programmes

Several respondents highlighted the need for programme delivery to flex to respond to individuals' circumstances, job prospects in the labour market, and delivery affordability criteria. For priority groups, practitioners favour an approach that embeds their priority status within delivery KPIs and contract funding mechanisms.

Several comments were received pointing out that apprenticeships are not the only answer to skills challenges. Feedback also focused on the lack of clarity about the specificity of future skills demand – digital and low carbon are routinely highlighted as areas of future skills demand, but more nuanced approaches are required to provide clarity.

Concerns that the capacity of post-16 education and training may be insufficient to meet demand

Supporting more young people to remain in education at age 16 or 18 is one of the most effective ways of preventing youth unemployment, by effectively 'shielding' this priority group from a very challenging labour market.

However concerns were expressed about whether post-16 providers have the flexibilities and the funding (which for colleges is based on last year's learner volumes) to create the capacity required within post-16 education and training. Concerns relate to the scope of learning on offer (to what degree does Manchester have an effective offer for 18 and 19 year olds?) and the scale at which post-16 providers are able to grow their provision (noting the lagged learner number funding model used by the ESFA).

Findings: Supporting residents

Apprenticeships are proving more resilient but summer 2020 likely to be difficult

There is concern about the impact of the drop in apprenticeship starts on the available post-16 training and education infrastructure within the city. Employers and other stakeholders are strongly in favour of interventions that can support demand for apprenticeships through this difficult period. August, September and October are of particular concern, this being the period when most young people start apprenticeships. If employer demand fails this summer, alternative forms of work-based learning provision may be needed.

Longer-term labour market trends put a spotlight on adult retraining

Discussions with employers highlighted concerns about the ability of many lower-skilled workers to retrain in the face of structural change in the labour market. The past decade has seen the share of jobs in Manchester that require level 4+ skills rise from 40 to 50%. At the same time, automation and changes in working practices have 'delaboured' business functions that previously undertaken people in lower-paid roles, which feature disproportionately high numbers of BAME and young workers.

Discussions with employers revealed three related concerns, specifically whether;

- an effective and affordable training offer exists for adults seeking to re-skill and change career;
- enough adults are able and motivated to take up such an offer (noting that those on low wages are often least likely to undertake training);
- employers pay sufficient attention to developing the skills and career prospects of low paid staff, when evidence suggests that training budgets tend to be prioritised on better qualified and paid staff.

Findings: Supporting residents

Effective transitions for learners leaving key stage 4 and key stage 5

Transitions at Key Stage 4 and Key Stage 5 will be key to minimising the number of young people who leave education and become unemployed or inactive. Respondents feel that activity should focus on supporting more young people to remain in education as a mechanism for ‘shielding’ them from the labour market for the time being. Any extension of the City Council’s current September Guarantee for 16 year olds must be backed up with the capacity and resource to make it a meaningful commitment to young people at this time.

Self employment has the potential to become a major source of temporary income

Jobcentre Plus reported growing interest in self-employment among new claimants and those on furlough, but at the same time there has been a sharp increase in new Universal Credit claims from residents who were previously self employed and were ineligible for government support schemes. Respondents highlighted the potential of self-employment as a route to securing income in a difficult labour market for a wide variety of potential claimants – ranging from those made redundant seeking to capitalise on specialist skills, through to graduates seeking temporary income via the gig economy, or as part of a portfolio career for those working in sectors such as culture and the arts.

GM has one of the most extensive start-up support service offers of anywhere in the country, however provision of advice and guidance for unemployed residents seeking to set up their own business (compared to those seeking post-start support) is limited both in terms of the scale of delivery and the scope of the service on offer.

Summary

<p>STRENGTHS</p> <ul style="list-style-type: none"> • Employer goodwill is extremely strong • Solid job growth prospects in several sectors, likely to be better than other parts of the region • Diverse employment base, insulating against sector-specific shocks • MCC's relationships, networks and influence is strong despite HMG tilting towards towns and CAs – MCC recognised as credible • Growing high skills base of residents, 50% jobs now require level 4+ skills 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> • Qualifications of residents constrain access to opportunities • High levels of unemployment and inactivity prior to the crisis risk being compounded by volume of new claimants. Levels of poverty in the city are already severe • Current funding rules constrain the degree to which post-16 education can 'shield' young people from the labour market • Many self-employed unsupported through the crisis and adding to claimant count
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> • Outlook in key sectors such as digital, construction, health and care remain strong and Manchester specialises in all of them • Plenty of major catalytic capital projects in the pipeline that appear likely to attract public and private investment • Scope to grow self employment as a route to additional household income for some client groups 	<p>THREATS</p> <ul style="list-style-type: none"> • Employer uncertainty - second wave and/or local lockdown will cause further serious harm • Furlough end risks redundancies at employers of all size and sector, as does end of temporary tax relief and self-employment scheme • Longer term, reduction in entry level opportunities appears likely • No-deal Brexit a real possibility

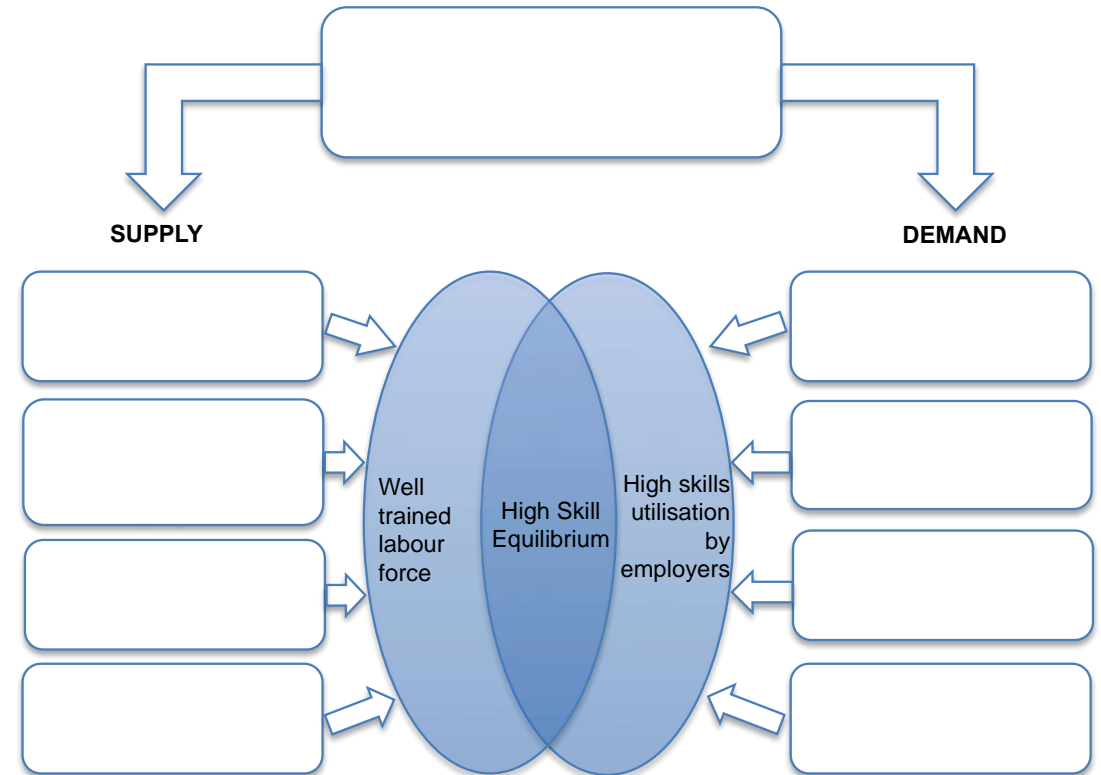
4.3 Past evaluations and international best practice

In developing our analysis we have reviewed past evaluations and relevant international case studies to identify learning that can be applied in Manchester.

It is widely accepted that activity to improve labour market outcomes requires action to upgrade the supply of labour while simultaneously seeking to grow demand for skilled labour from employers.

The diagram from the OECD, opposite, provides a summary of how such a framework might operate under more normal labour market conditions in places such as Manchester, to grow and maintain a 'high skills equilibrium' which has proven to be more resilient in times of economic hardship.

The full range of actions on the demand side are not within the scope of this study, however our work to date has highlighted the need to progress catalytic development projects as a way of stimulating labour demand in the city.



Reproduced from OECD (2008) Skills for Competitiveness: Tackling the low skilled equilibrium conceptual framework, Paris: OECD

Past evaluations and international best practice

Our review of interventions included analysis of programmes from the USA, Canada, Finland, France, Netherlands, Spain, Germany and Singapore. The key learning from these case studies includes:

- For young people seeking their first job, evidence indicates that programmes work best when they support individuals to progress their careers once they have started work by combining professional training, business communication skills and access to apprenticeships.
- Employer involvement in vocational programmes for 15-18s in the USA has proven effective - participating young people earn a wage premium of 11% at age 26, compared to others. This is due to better insight into the world of work, improved employer contacts, work experience and a grasp of how to achieve aspirations. Evidence from Finland shows entrepreneurial education at KS3/KS4 helps build resilience required in careers
- Online training has been shown to help more people take responsibility for their learning. In France and Singapore, recent programmes operate a more flexible distributed system that features less central control and more scope for people to act on what they know now.
- Support programmes for older workers in Canada found that digital literacy, workplace and vocational skills, and employer placements were key to improving labour market participation

Investment in labour market responses to the pandemic have varied in scale. Other countries commonly intensify and expand existing programmes, such as wage subsidies. Germany has seen a massive €50bn investment to scale up key technologies and a further €550m on facilities for digital learning. Germany has also relaxed rules and created new incentives for employers to take on apprentices who have been made redundant

Past evaluations and international best practice

Prominent examples of UK programmes delivered in response to past recessions include:

Future Jobs Fund launched in Autumn 2009 to create subsidised jobs for unemployed young people. Costing £6500 per head, it created work for 105,000 participants (1500 in Manchester). It gave a job and a wage when few jobs were available and it improved employer perceptions of young people. But there was insufficient focus on participants sustaining work once the programme ended, hindered by a rule that jobs had to deliver community benefit (ruling out the private sector). The training offered was often not of adequate quality.

The **ProAct programme** launched in 2009 in Wales to provide training for staff working short hours and/or at risk of redundancy. It co-funded training and salary costs (while training) for staff to undertake courses selected by their employer in line with their business plan. It enabled staff to be reskilled and upskilled, allowing employers to redeploy them into new roles or work more hours. Training was certified, so that it would be transferrable should the participant be subsequently made redundant. Activity was targeted in priority sectors.

Programme-Led Apprenticeships (PLAs) were an interim measure to support work-based learning during a period of weak employer demand, so that learners could start an apprenticeship before taking up employment. An Ofsted evaluation in 2008 found that successful PLAs blended high quality off-the-job training with well-designed work placements, building knowledge and experience that can then be applied to the workplace once the learner is recruited. Common pitfalls included irrelevant training, poor quality work placements and the inability of some providers to secure employment for learners.

5. Analysis

5.1 Calibrating MCC's response

MCC has a pivotal role to play in leading and convening the response to the economic recovery within the city. The function of the labour market, current management and funding arrangements for key services, and the spending power of Government mean that in large part, MCC will be influencing and shaping the activities of others in order to deliver on the work and skills agenda for the city's employers and residents.

Three main types of activity will be required from MCC, as follows:

1. Activities where the City Council either has direct control over relevant activity (such as its own recruitment, training delivery such as via MAES), or where MCC is in a position to influence the development of, and access to, jobs and skills (such as via its procurement strategy, or major developments)
2. Activities where the City Council needs to work with other partner organisations, to influence commissioning and delivery of services that support its residents and employers (such as The Manchester College, GMCA and The Growth Company)
3. Activities where the City Council needs to lobby and build proposals with others (such as Core Cities) that secures new programmes and investment in the local labour market

5.2 Critical success factors

Leading the economic recovery in relation to work and skills in Manchester presents MCC with a major challenge.

Based on the feedback received through this project, we have outlined below a handful of critical success factors that we believe will help the city in this task. They include:

- Maintaining and further developing the employer goodwill so that they continue to share insights, offer to host placements, participate in retraining programmes for staff, etc
- Capacity to act, noting that MCC is a much smaller organisation now than it was in the pre-austerity days before the last recession
- Track record of working in partnership and co-production with central govt and local stakeholders to make best use of local opportunities. Their participation in developing this plan, and their continued buy-in of its delivery, has further strengthened these relationships
- Regular monitoring of data and trends, to assist with the identification and addressing of emergent issues and risks
- Flexibility, being prepared to change plans when the operating environment alters – as it might via the early July ‘fiscal event’ and the Autumn three year Comprehensive Spending Review

5.3 Priorities - background

In common with the rest of the UK, Manchester is facing its worst labour market crisis for a century.

The City Council has choices to make – it cannot address all of the myriad of opportunities and challenges now facing local people and employers.

Drawing on the project's findings, we have drafted an initial list of six work and skills priorities for MCC as it plans for the economic recovery. In selecting each priority, we have considered the scale of the issue/risk, the role that MCC can play in leading or shaping an effective response, and the question of timing (aware that some activities need to start immediately).

The six priorities are listed overleaf. Recommended actions to deliver on these priorities are outlined in detail in section 6.

Priorities

1. Minimise the number of Manchester residents who move from being on furlough to redundancy as the Coronavirus Job Retention Scheme winds down over the coming months
2. Support unemployed Manchester residents to re-enter work as quickly as possible - especially young people, the over-50s and BAME groups
3. Maximise new job creation, increasing overall labour demand in the city
4. Minimise the number of young people who become unemployed after leaving education and training in Manchester
5. Support apprenticeship and other training opportunities to better equip employers with the skills to survive and grow, while helping more residents to upskill and progress in their careers
6. Improve the support available to long term unemployed/inactive residents, to reduce the risk that they will be 'crowded out' in the jobs market by the influx of new claimants.

6. Recommendations

Recommendations

Priority 1	Recommendation	Rationale	Timescale	Partner involvement
Minimise the number of Manchester residents who move from being on furlough to redundancy as the Coronavirus Job Retention Scheme winds down over the coming months	<p>Stemming unemployment via targeted, employer-led training. Enable staff returning from furlough at viable businesses who are at risk of redundancy or working limited hours access employer defined, short, flexible training solutions co-funded by HMG.</p> <p>Based on the ProAct model from Wales, training must be linked to standards and/or qualifications that are recognised by other employers. Deadweight can be minimised by a training plan linked to a business plan, and a sectoral focus on areas such as digital, bioscience and health innovation. This intervention could be targeted at over-50s and BAME workers.</p> <p>Funding could be derived from central government (via the National Skills Fund and National Retraining Fund); if this is not available, GMCA should examine scope for aligning use of AEB and ESF in support of the project.</p>	<p>Over 62,000 residents are on furlough. Only a third of employers think they will make no redundancies.</p> <p>The claimant count has doubled in the past two months, and could go much higher if those returning from furlough are made redundant in large numbers.</p>	Starting as soon as possible given furlough starts to unwind from next week, for an initial six-month period.	<p>GMCA has proposals for extensive retraining activity linked to key growth sectors, with significant investment proposed via ESF (for employer engagement) and AEB/NSF/NRF.</p> <p>If this is to be delivered in Manchester, MCC should work with GMCA (and HMG where required) to ensure that within the model:</p> <ol style="list-style-type: none"> 1. Any training should be occupation-specific, identified by the employer and linked to their business plan 2. That it is launched ASAP, aware that furlough is about to start winding down 3. That participating employers are viable organisations with future employment prospects for participating learners

Recommendations

Priority 2	Recommendation	Rationale	Timescale	Partner involvement
<p>Support unemployed Manchester residents to re-enter work as quickly as possible, with a priority focus upon:</p> <ul style="list-style-type: none"> • Young people • The over-50s • BAME communities 	<p>An intermediate employment with training programme for young people for whom work would usually be a realistic prospect but are unemployed. Prioritise young people with lower attainment. The programme should feature paid work within occupational areas with good post-Covid prospects (including private sector); and high quality training relevant to future job growth.</p> <p>Prioritise over-50s and BAME communities within the proposed response to furlough (priority 1) and accelerating recovery (priority 5) recommendations. Practical steps should include:</p> <ul style="list-style-type: none"> • Designing into programme specifications an intensified focus on engagement and delivery in communities with concentrations of BAME and over-50 unemployed residents • For BAME claimants, digital skills and support with career progression once in work will be key • Age-sensitive support for the over-50s will prioritise prioritises core digital and practical workplace skills as a standard feature of any labour market programmes for older people • Specification of contract management KPIs and payment models that prioritise better outcomes for BAME and over-50s within employment and skills support programmes. 	<p>Claimant count risen from a high base in Manchester, up by 98% between March and May for young people, 73% for the over-50s.</p> <p>The increase in the claimant count March-May 2020 has been most acute in neighbourhoods with high BAME populations</p> <p>Feedback indicates that for BAME groups, career progression activity is often more limited because of concentrations of BAME staff in entry level roles.</p>	<p>From Sept 2020, for an initial 12 month period.</p>	<p>Resource to support intermediate employment will need to come from HMG; while the programme itself will likely best operate on a GM footprint – requiring MCC to work with GMCA and HMG (via Core Cities) to influence design and implementation.</p> <p>GMCA's current proposal is for an ILM that is more limited in scope (for the very hardest to help) – MCC should recommend that this is broadened to encompass a wider group of young people who will find labour market attachment difficult in the current climate.</p> <p>MCC should work with GMCA to consider how over-50s and BAME groups can be better reflected in programme design, delivery and contract management.</p>

Recommendations

Priority 3	Recommendation	Rationale	Timescale	Partner involvement
Maximise job creation, increasing overall labour demand in the city	<p>MCC to examine its sector-leading social value procurement policy to identify how it can intensify focus on outcomes for unemployed BAME residents, young people and the over-50s.</p> <p>That MCC continues to bring forward key capital projects that stimulate labour demand. Work and skills outcomes must be key to project planning – maximising resident access to opportunities.</p> <p>Undertake employer-led work with the Growth Hub, Siemens and Ask Developments to identify opportunities to support supply chain resilience, increasing economic activity in the city.</p> <p>Further strengthen support for self-employment via an expanded offer for people who are unemployed and may use self-employment to generate more household income. This would require DWP income rules for participants to be relaxed. GMCA funds and JCP Flexible Support Fund could support.</p> <p>Develop a zero carbon 2038 skills strategy built on a sound understanding of the labour and skills requirements, covering specialist skills (higher level), adaptation of existing skills (trades) and behaviour change to shape attitudes and regulation.</p>	<p>Job postings in the local area halved between March and April. A small uptick was registered in May (9%).</p> <p>Brexit and C-19 are creating difficulties for global supply chains in some sectors</p> <p>Self-employment popular with who require flexibility or need portfolio careers. Support is weaker for those planning self-employment, compared to those who are already self employed (only 7% of unemployed eligible for New Enterprise Allowance)</p> <p>2038 is an ambitious target and will require a strong skills base if delivery activity is to be completed to the required standard</p>	Autumn/ Winter 2020/21.	<p>Engage via Core Cities with HMG on catalytic projects – consistent message to HMG</p> <p>Supply chain activity requires private sector leadership, best delivered by Growth Hub – employers are very happy to share their knowledge and leadership on this issue.</p> <p>Work with GMCA to strengthen self-employment aspects of its proposals. MCC could offer to pilot enhanced support offer for newly unemployed who are ineligible for New Enterprise Allowance.</p>

Recommendations

Priority 4	Recommendation	Rationale	Timescale	Partner involvement
Minimise the number of young people who become unemployed after leaving education and training in Manchester	<p>Extend Manchester's September Guarantee for 16 year olds to cover 17 (those completing 1 year courses, dropping out, or leaving with AS levels) and (subject to the availability of an offer for them) 18 year olds. The model should be based on the current guarantee – case conferences led by MCC, providers leading implementation. There should be a sharp focus on 17/18 year olds studying in sectors with viable job prospects, and/or progressing to a higher level of study.</p> <p>Enhance the capacity of post-16 education and training in Manchester to 'shield' young people from the labour market by:</p> <ul style="list-style-type: none"> • ESFA allowing 18/19 year olds to repeat level 3 from summer 2020 if they are completing in sectors with very poor job prospects. ESFA provider budget tolerances should rise from 5% to 10% to fund this. • Consideration given to opening up level 3 study programme funding to training providers, who have specialist facilities underutilised as apprenticeship starts fall. This would require DfE to review how its lagged funding model prevents market entry <p>MCC to make available space for distance/online learning – leisure centres, libraries; also identify (with GMCA) where additional capital investment may be required to respond to skills demand.</p> <p>DfE to increase ALS (additional learning support) to providers, to ensure that all learners have IT hardware and broadband/data to access online learning and data for online learning. The latter could be supported via corporate sponsorship, extending GMCA scheme</p>	<p>c.3500 KS4 and KS5 leavers are 'at risk' this summer, based on DfE destinations data</p> <p>Up to 10,000 UK-domiciled graduates are likely to remain in Manchester this summer, many of whom will be seeking employment but lack workplace experience</p> <p>Experience of online learning has been mixed, key issue is the availability of hardware and for many learners, having a place where they can learn (home environment unsuitable)</p>	<p>Much of this can or should start ASAP, especially the elements under control of MCC, eg Sept Guarantee, spaces for online learning.</p> <p>Anything involving ESFA or DfE involvement will take time and may require a summer 2021 implementation date.</p>	<p>Advise GMCA on operation of their proposed 18-30 guarantee.</p> <p>Work with Core Cities in ESFA and higher technical training proposals as all require resource and/or funding flexibility from HMG.</p> <p>Liaise with providers and IAG services to extend MCC's existing September guarantee.</p> <p>GMCA re scope to extend current sponsored broadband to school pupils.⁵⁵</p>

Recommendations

Priority 4 (continued)	Recommendation	Rationale	Timescale	Partner involvement
Minimise the number of young people who become unemployed after leaving education and training in Manchester	<p>MCC works with providers, GMCA and Core Cities to seek flexibilities in the DfE's post-16 lagged learner funding model that allows providers to recruit more young people (as a way of shielding them from entering the labour market) without cause significant cashflow issues.</p> <p>Unemployed graduates and those with higher diplomas aged under 25 to be offered a higher technical training scheme, featuring</p> <ul style="list-style-type: none"> • 6/12 month postgrad programme, work experience coupled with additional training • Opportunities be within sectors that are aligned to local industrial strategy but where firm-level performance is, or risks being, impacted by a lack of skills • A loan to participants to support with living costs 	<p>Lagged learner number funding model requires providers to cashflow increases learner numbers for 12 months before being paid. If we want to expand the capacity of post-16 learning to shelter young people from the labour market, it is doubtful whether providers could support an extra 2000 enrolments (who might usually seek jobs) in Manchester based on the existing funding model.</p> <p>Graduate unemployment peaked at almost 15% in the last recession. Employers report skills shortages in STEM sectors. Uniquely in GM, Manchester retains and attracts large numbers of graduates each summer, who risk joining</p> <p>Nationally, 1 in 3 of post-2007 graduates have higher quals than their occupation requires. 10% of people with degrees in GM are low paid (all age), GB average 8%</p>	<p>DfE discussion should be imminent, ideally seeking flexibilities prior to early July fiscal event.</p> <p>Higher technical programme to roll out from Autumn 2020.</p>	<p>MCC will be unique in GM in potentially having a significant graduate unemployment problem – may want to pursue this proposal largely via Core Cities.</p> <p>DfE funding discussion needs to be a united front across providers, GMCA, Core Cities etc</p>

Recommendations

Priority 5	Recommendation	Rationale	Timescale	Partner involvement
Support apprenticeship and other training opportunities to better equip employers with the skills to survive and grow, while helping more residents to upskill and progress in their careers	<p>Launch Programme-led Apprenticeships as a temporary measure to prepare young people for jobs in sectors where demand is currently weak but it will grow (construction, manufacturing, hair, etc). PLAs must blend high quality off-the-job training with well-designed work placements.</p> <p>Flex ESFA funding rules to:</p> <ul style="list-style-type: none"> - Allow apprentices made redundant to be fully funded for at least 6 months (currently 12 weeks) to complete. - Ease ESFA funding and management rules to allow more study programme providers to transfer learners into apprenticeship mid-year - Support GMCA's plans for more flexible Apprenticeship Levy transfers, simplifying the process and raising the cap <p>Accelerate the recovery of sectors through supported recruitment and training to allow employers to recruit and retrain staff to help the business's future survival and growth. This would require DfE to create an extended AGE grant and broaden of employers' NI relief to all ages (while lowering salary cap to £25K) to enable activity.</p> <p>Selected sectors and sizes of business should be targeted, focusing on employers which would otherwise downsize or stop trading without support to retain and train staff. Proposals must be linked to a firm's business plan</p>	<p>Apprenticeship recruitment of young people during crucial months of Aug, Sept and Oct 2020 at risk as employer demand is weak.</p> <p>ESFA rule flexibilities will allow more young people to enter apprenticeships and to complete, despite difficult labour market.</p> <p>Supported recruitment and training via this model will:</p> <ul style="list-style-type: none"> - Grow apprenticeship volumes - Support employers to 'bridge' the period post-furlough when income does not cover overhead, but they do not want to let staff go as future growth prospects are good 	<p>PLAs and ESFA rule flexes to be sought for 2020-21 academic year (as far as possible)</p> <p>Accelerating recovery proposal would work best if rolled out from Sept, as employers take stock following furlough scheme.</p>	<p>PLAs will require lobbying of DfE and ESFA, alongside providers and trade associations</p> <p>Accelerate recovery model requires flexibility in incentives (which are likely to be already under consideration at DfE) and capacity funding to support business engagement and skills planning.</p>

Recommendations

Priority 5 (continued)	Recommendation	Rationale	Timescale	Partner involvement
Support apprenticeship and other training opportunities to better equip employers with the skills to survive and grow, while helping more residents to upskill and progress in their careers	<p>MCC to develop new post-16 curriculum priorities that target the best quality technical education and vocational training for the city. Recommendations that are actionable by providers will be required, eg:</p> <ul style="list-style-type: none"> • Expectations in relation to the sectors and occupations that are critical to the future economy of the city • Preferred delivery models that engage and retain learners effectively • Expectations regarding the participation of employers in curriculum design and delivery • Capital and resource investment requirements <p>Led by the Work and Skills Board, review the offer in the city for adults seeking to reskill and retrain, targeted on those in low paid roles often occupied by local people and BAME staff. This should include:</p> <ul style="list-style-type: none"> • Seeking an extension of the national entitlement to a first level three qualification to learners of all age, not just those aged 19-23 (as now). • Leadership by employers and employer networks to strengthen the commitment of business to developing the careers of our lowest paid • Consideration of how GM skills commissioning activity can support low paid workers to progress 	<p>Post-16 Skills is undergoing huge change – T-levels, level 4/5, apprenticeships and now a major labour market downturn.</p> <p>MCC is providing financial support to the TMC investment in its estate, to create world-class learning facilities for Manchester employers and residents.</p> <p>Rising skills profile of Manchester’s labour market and anticipated impact of automation will likely result in a drop in entry level roles. Meanwhile, adult learning has dropped – especially at level 3, with the introduction of loans.</p>	Early 2021 or 2022, to shape curriculum planning for the subsequent academic year	<p>Close work with TMC, but seek to engage other key post-16 providers too.</p> <p>Liaise with GMCA regarding its curriculum priorities and provider engagement activity.</p> <p>Work with GMCA, Core Cities and trade associations (eg AELP, GMLPN, AoC, GMCG) regarding the adult level 3 entitlement and associated AEB lobbying</p>

Recommendations

Priority 6	Recommendation	Rationale	Timescale	Partner involvement
Improve the support available to long term unemployed /inactive residents, to reduce the risk that they will be 'crowded out' in the jobs market by the influx of new claimants	<p>Work with GMCA to tighten focus of current and planned devolved employment support programmes on the barriers faced by long term unemployed and inactive residents in Manchester.</p> <p>Work with MACC and other VCS groups to explore development of large-scale volunteering programme for unemployed/inactive residents of all age as part of an individual's pathway to employment. Whitehall interest in VCS organisations supporting unemployed and inactive residents with volunteering in (for example) advice and guidance to public transport users, environmental projects, high streets and public spaces.</p> <p>Enhance the skills of the long term unemployed/inactive residents – such as through the inclusion of basic digital skills top-up within Working Well and other relevant support programmes.</p>	<p>Manchester has around 30,000 working age residents who were already long term unemployed or economically inactive (usually owing to ill health).</p> <p>Current Working Well delivery is performing less well in Manchester than other parts of GM, despite inquiries indicating that the challenges faced by Manchester residents are not dissimilar to those found elsewhere in GM.</p>	Spring 2021	<p>Support GMCA proposal to HMG that £30m DWP budget for Work and Health Programme needs to be confirmed in CSR and granted to GMCA.</p> <p>Work with MACC on volunteering proposals, high level of interest from Whitehall departments so could pursue via Core Cities.</p>

Implementation priorities

The crisis in our labour market has developed at unprecedented speed. This creates a need for urgent action to prevent current problems from continuing to deepen at an alarming pace.

Recommendations that require immediate attention include:

- **Priority 1:** Targeted, employer-led training to retrain and redeploy staff returning from furlough, to minimise the rise in the claimant count (priority 1). Lobbying is required immediately of HMG, along with discussions with GMCA and via Core Cities, to ensure that an intervention can be rolled out at speed, potentially working with GM Growth Hub to identify and access businesses that would most benefit.
- **Priority 2:** Commitment from HMG to an expansive intermediate labour market programme to address the unfolding youth unemployment crisis, which risks deepening further as we move in to the 2020-21 academic year.
- **Priority 5:** Flexibilities and incentives – such as permitting Programme-Led Apprenticeships, extending NI relief and introducing AGE grant – that will help sustain apprenticeship activity and support job retention through the critical summer/autumn period

The Chancellor's announcements in early July are likely to bring forward some eye-catching interventions that can be rolled out quickly, with more considered analysis and proposals due to come forward in the Autumn 3 year Comprehensive Spending Review. However the 4-5 months between now and the CSR could prove extremely challenging unless action is taken now to mitigate the labour market crisis.

Annex A - Interviewees

Mat Ainsworth
Vaughan Allen
Pat Bartoli
Jessica Bowles
Helen Boyle
Mags Bradbury

Melissa Brown
Nick Cole
Andy Fawcett
Jonathan Felce
Katie Gallagher
Anne Gornall
Brian Hay
John Holden

Assistant Director – Employment
Chief Executive
Head of City Centre Regeneration
Director of Strategy
Strategic Decarbonisation Manager
Associate Director of Equality,
Diversity and Inclusion
Senior Policy Adviser
Research Manager
Co-Executive Director
Relationship Director
Managing Director
Co-Executive Director
Chief Executive
Associate Vice President, Major
Special Projects

GM Combined Authority
CityCo Manchester
Manchester City Council
Bruntwood
Electricity North West
Manchester University NHS Foundation Trust

HM Treasury
Manchester City Council
GM Learning Provider Network
Barclays
Manchester Digital
GM Learning Provider Network
Cardinal Maritime
University of Manchester

Annex A - Interviewees

David Houlston	Head of Policy	Manchester City Council
John Hughes	Managing Director	Ask Developments
Michelle Humphreys	Director of Strategic Projects	Manchester University NHS Foundation Trust
Richard Jeffery	Director of Business Growth	The Growth Company
Colin Johnson	Managing Director, Operations	Space Studios Manchester
Adam Jupp	Corporate Affairs Director	Manchester Airport
Sharmila Kar	Director of Workforce and OD	Manchester Health and Care Commissioning
Trish Keating	Executive Director	Tech Manchester
Justin Kelly	Director of Corporate Communications and Business Development	Siemens UK
Elizabeth Lawson	Policy Advisor (Adult Skills)	HM Treasury
Michelle Leeson	Managing Director	Growth Company: Employment
Jon Lenney	Director of Workforce and OD	Manchester Local Care Organisation
Paul McGarry	Assistant Director	GM Ageing Hub
Gemma Marsh	Assistant Director – Skills	GM Combined Authority
Simon Mason	Senior Policy Adviser	Ministry of Housing, Communities and Local Government

Annex A - Interviewees

Nick Mellor	District Manager	Jobcentre Plus
Clive Memmott	Chief Executive	GM Chamber of Commerce
Elizabeth Mitchell	Policy and Partnerships Manager	Manchester City Council
Chris Murray	Director	Core Cities UK
Cllr Nigel Murphy	Deputy Leader	Manchester City Council
Tim Newns	Chief Executive	MIDAS
Lisa O'Loughlin	Deputy CEO/Principal	The Manchester College
Rob Page	Commercial Director	Space Studios Manchester
Siobhan Pollitt	Chief Executive	Back on Track Manchester
Cllr Luthfur Rahman	Executive Member for Skills, Culture and Leisure	Manchester City Council
Jon-Paul Rimington	Managing Director	Growth Company: Education and Skills
Nigel Rose	Strategic Lead (Commissioning)	MACC
Julie Rushton	Head of Adult Skills and Learning	Manchester City Council
Jonny Sadler	Programme Director	Manchester Climate Change Agency
Carina Schneider	Senior Policy Adviser-	Ministry of Housing, Communities and Local Government

Annex A - Interviewees

Dan Shercliff	Senior Manager	Manchester Adult Education Service
Tamanna Sidika	Policy Team Leader	Cities and Local Growth Unit (MHCLG & BEIS)
Annie Smith	Head of Enterprise Commercial	PeoplePlus Enterprise
Nick Brooks-Sykes	Director of Tourism	Marketing Manchester
John Thornhill	Chief Executive	LTE Group
Andy Westwood	Professor of Government Practice and Vice Dean of Humanities	University of Manchester
Mike Wild	Chief Executive	MACC
John Wrathmell	Director, Research and Strategy	GM Combined Authority

THINK...

james.farr@think.uk.com

Company Number 09566206

Registered Office: 14 Bark Street East, Bolton, England, BL1 2BQ