



**MIDLANDS
ENGINE**

Economic Observatory

**MIDLANDS ENGINE
ECONOMIC IMPACT OF COVID-19**

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Foreword

The Midlands is home to 11 million people and contributes £239 billion to the UK economy. The Midlands is an area of innovation and enterprise; a 'young region' providing talent for future wealth and prosperity, it is a region that is indispensable to the nation's post-pandemic recovery.

The COVID-19 pandemic has hit the Midlands hard, with the West Midlands reportedly the worst hit region in the UK where the economy shrunk by over 10% during lockdown and over a quarter of the Midlands businesses are reporting a decline in trade as a result of the pandemic. The Midlands hosts a diverse economy with its rural and urban mix; manufacturing, higher education, creative industries and visitor economy are all key sectors in the Midlands and have been highly impacted by the pandemic.

The pandemic has created a 'COVID Generation' – young adults completing studies at College and University who are now unable to gain employment. The summer 2020 examinations fiasco has impacted on young people, their choices and their next steps- the full impact of this is not yet known. And around one and a half million Midlands workers have been furloughed during the pandemic, with the lower qualified workers now most at risk of losing their jobs.

This Midlands Engine Observatory 'Skills Edition' of the COVID-19 monitor highlights the challenges and threats to skills in the Midlands. The Midlands Engine Partnership is aimed at delivering economic growth and levelling up society. We need training that is linked to job creation, to industry need and to economy recovery. The pandemic has added to the threat and opportunity of automation. It is time for change.

Retraining schemes need to be carefully designed to support individuals, businesses and the region. Government investment has reduced in skills training over recent years, where many courses are no longer Government funded and at the same time the number of fee paying courses have been reducing (due to demand). Skills Policy needs to support technical education; focus on apprenticeships as entry into employment and as means for employers to have a more productive workforce; support upskilling and reskilling; and ensure that education and industry are seamlessly aligned to map future skills needs.

The Midlands Engine Partnership is well placed to support economic recovery across the Midlands. A region which is diverse in its population and in its industry- a region essential to the future of the UK.

Angela Joyce

Chair- Midlands Engine Skills Board



Introduction

Welcome to the ninth edition of the Midlands Engine Economic Impact of COVID-19. **This report is produced by the Midlands Engine Economic Observatory which is a partnership commissioned by the Midlands Engine including Black Country Consortium's Economic Intelligence Unit, Nottingham Trent University and WM REDI.**

This monitor pulls together information across regional partners to understand the impacts of COVID-19 on the economy – at a sub national level, across the Midlands Engine geography. Where possible it will utilise all forms of quantitative and qualitative intelligence. However we urge caution in the use of the contents as this is an emerging situation. **The information is drawn from a wide range of sources including the Midlands Engine Business Forum Members, Growth Hubs, Chambers, LEPs, ONS and others. The Midlands Engine gratefully acknowledges the input of many partners who have directly contributed data to inform this report.**

The report brings together data at the level of the Midlands economy, and allows the interpretation of macro issues and trends, which over time will help shape recovery interventions as well as support short term decision making. **The report is now produced on a monthly basis. Alongside the economic context each edition will include a thematic deep dive. This month we focus on Skills and the impact of COVID-19 across all aspects of the education and skills landscape.**

We welcome any feedback on the content to ensure this report meets the needs of partners and welcome any additional intelligence. Please forward any feedback and intelligence to info@midlandsengine.org.

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Executive Summary

Economy

UK private sector companies reported a sharp and accelerated increase in business activity during August. Both the manufacturing and service sectors are continuing to experience a recovery in consumer demand. The headline seasonally adjusted IHS Markit / CIPS Flash UK Composite Output Index –registered 60.3 in August, up from 57.0 in July and signalling the fastest rate of business activity expansion since October 2013. The index for the **West Midlands increased from 50.4 in June 2020 to 61.9 in July 2020.** Notably, this is the second-fastest increase in the survey history. The **index for East Midlands Business Activity increased from 50.4 in June 2020 to 58.1 in July 2020.** This increase is the fastest reported since February 2018 as client demand has been boosted since the broad reopening of businesses.

According to the ONS Business Impact of Coronavirus Survey (BICS) **55.8% of trading businesses in the West Midlands and 51.5% of East Midlands businesses reported their turnover had decreased by at least 20% (UK 50.8%).** However, **26.0% of trading businesses in the West Midlands and 28.4% for the East Midlands reported that their turnover was unaffected (UK 31.7%) and 12.0% reported their turnover had increased by at least 20% in the West Midlands and 13.4% for the East Midlands (UK 10.5%).**

Concern is growing about the business and employment impacts of **local lockdown** in Leicester. It has borne heavily on businesses that incurred significant costs in preparation for the anticipated opening of additional sectors on 4th July. Inconsistencies in the handling of local lockdowns across the country are now being cited as problematic for businesses operating from multiple sites across the country.

Education and Skills

The closure of schools and other educational establishments inevitably impacts on learning. OECD analysis of 2018 PISA data reported by Eyles et al. (2020) shows that **40% of economically disadvantaged students in UK secondary schools had access to online learning platforms, compared with 70% of more advantaged peers.**

Nationally there have been record-breaking results for GCSEs with 25.9% of students awarded grade 7 or higher (under the old system is equal to an A or A*) compared to 20.7% for 2018/19. A Level grades are 14% higher than last year. Large discrepancies can be seen at the lower end of the grade spectrum.

Universities in the Midlands are reporting **strong recruitment from home students for both undergraduate and postgraduate places.** There has been strong interest and applications from international students but a lower number of actual starts anticipated. This follows a national trend of UK domiciled students deciding to go to university to 'ride out' the effects of the pandemic on the jobs market. Higher grades may have allowed some students to apply to university through clearing which they may not have been able to had they sat their exams and got lower grades.

Apprenticeship Recruitment is variable across sectors, and there is a steep decline in apprenticeship starts compared to 2019.

The COVID-19 recession has serious implications for school, college and university leavers entering a job market which in the near term has comparatively little to offer them. Further education in the Midlands concentrated at the lower end of the skills spectrum raising the concern that new entrants to the job market may struggle to compete with more experienced candidates who have recently lost their jobs. The region's large university sector has over 132,500 graduates and postgraduate students due to complete their studies from universities in 2020. **The result may be unemployment for many who will have completed their courses of study in recent and coming months,** as well as a greater demand for further education from those hoping to improve their prospects.

1,486,900 workers were furloughed in the Midlands over the duration of the Coronavirus Job Retention Scheme a take up rate of 33% across the region which is above the UK average of 32%. Alongside **423,540 claimants in July aged 16 years and over** in the Midlands Engine (5.1% of the 16+ population) this indicates a critical need for investment in life-long learning.

Emerging Policy Considerations

THEME	KEY CONCERNS
Access to Finance & Cashflow	<ul style="list-style-type: none"> Financial support enquiries remain common. There is a real appetite for funding with many businesses calling their local growth hub to identify funding streams they can tap into. There continues to be requests for funding for capital equipment and diversification. There is a desire from businesses of all sizes to reconfigure their businesses and invest in capital. Some businesses who had shelved growth plans, including inward investment opportunities, are revisiting these projects and are looking for grants and other investment.
Redundancies & Furlough	<ul style="list-style-type: none"> There are increasing concerns about the impact of winding down the coronavirus furlough scheme and the resulting job losses. Furlough numbers are on the rise – might be down to flexible furlough – there is need to monitor dynamics and interdependencies occurring in the economy and across sectors to inform recovery planning.
New Business Models	<ul style="list-style-type: none"> Remote working to some degree is now widely accepted as a permanent way of life for many businesses. Increase in requests for property searches across the region suggests hope for the commercial property market which will already have been impacted by the inevitable increase of available space, particularly offices, post COVID.
Recruitment	<ul style="list-style-type: none"> Starting to see some companies considering recruitment campaigns & planning to employ staff from potentially October, but still concerns about future. Some companies are bringing employees back into the office, and some more thinking about how to interview candidates & plan recruitment campaigns. Concerns are now being raised in relation to the application of the 'Kick Start' scheme to small businesses likely to recruit fewer than 30 young workers.
Consumer Behaviour & Sales	<ul style="list-style-type: none"> Sales in some sectors seem to be recovering strongly both in terms of business to business and business to consumer. Retail sales benefitted in July from a full month of non-essential retailers being allowed to open (having been allowed to open from mid-June after being closed from 23 March).
Supply Chains	<ul style="list-style-type: none"> Businesses are being disrupted by delays from suppliers. Anecdotal evidence suggests some degree of supply chain disruption has begun, with businesses citing parts of their supply chain going into administration as well as the impact of local lockdowns as key reasons for this friction.
Overseas Investment	<ul style="list-style-type: none"> A string of international companies moving to the West Midlands has put the region top of the UK's overseas investment chart for five years running. New data from the Department for International Trade has revealed that the West Midlands has again been hailed as the UK's leading location for Foreign Direct Investment (FDI) outside of London and the South East.
Brexit	<ul style="list-style-type: none"> There has been a noticeable absence of businesses reporting any planning for Brexit. Anecdotally this is due to a combination of time to digest and plan, lack of capital and impacts relating to COVID-19 which have impacted on supply chains and warehousing. Larger businesses appear to be preparing plans from last year whilst smaller businesses do not feel prepared locally.

Emerging Policy Recommendations for Skills

The Covid-19 pandemic has caused significant disruption to the education system, transitions into employment, workplace training, skills development and skills deployment. In this context of shock, the pillars of the OECD Skills Strategy remain of key importance: first, developing relevant skills over the life course; secondly, using skills effectively in work and society; and thirdly, strengthening the governance of skills systems (OECD, 2019).

Evidence from previous recessions suggests that their effects can be long lasting, with local areas differing in their resilience to economic shocks. Scarring effects of recessions result from:

- **A lack of labour market opportunities leading to long-term unemployment and reducing lifetime earnings.**
- **Time spent long-term unemployed can lead to a permanent loss of skills.**
- **Loss of income and employment can lead to lower educational outcomes in the next generation.**
- **For businesses increased uncertainty can reduce demand and access to credit and lead to less investment in productivity enhancing capital.**

[The Industrial Strategy Council](#) presents evidence on skills challenges facing the UK, focussing on four key areas:

- **Employer investment in training** -UK employers stand out internationally for their preference to recruit rather than train. Apprenticeships are an important part of the solution to increasing employer investment in training, but so are shorter, upskilling and retraining options. Digital developments can offer innovative, flexible solutions.
- **The role of managers in skills development and utilisation** - Managers and leaders need upskilling to fulfil their crucial role in championing and monitoring learning. Better data and systems to monitor the impact of training, will help managers to foster and support workplace skills development and utilisation.
- **Effective strategic and/or local partnerships** - A partnership approach to skills development is needed. Policy stability and continuity emerges as important for employers to navigate the skills system and establish effective partnerships.
- **Creating a positive lifelong learning culture** - Developing an effective lifelong learning system for all is essential. Information campaigns, employer and union learning representatives, and managers can all play a role in communicating the benefits and necessity of lifelong learning. Upskilling and re-skilling is of most interest to the government.
- The Skills and labour market profile of the Midlands Engine, particularly the rise in job losses and those claiming benefits points to the need for investment in lifelong learning, better skills development and utilisation; effective local partnerships between businesses and skills providers; reducing skills mismatches and helping people take greater responsibility for their own learning and development.
- The potential levels of unemployment facing the region will call for significant scaling up of training (skilling, reskilling and upskilling). The Midlands has a large body of excellent skills providers which can be mobilised to deliver flexible and innovative training solutions but providers are also facing uncertainty driven by social distancing individual and business choices about investment in skills.
- **Significant changes are happening in working practices, such as homeworking and technology changes which are creating a polarisation in employment opportunity and could leave many behind.** More needs to be done to ensure that those least likely to have these skills, such as part-time workers, women and those with a background in retail, construction and manufacturing are able to acquire them. Also, employees need much more awareness training to understand how technology can be used to protect a business and their role in this.
- **Employment of skilled college and university leavers is a key issue for the Midlands.** Apprenticeships, placements and internships help provide gateways to employment, but are all in decline as businesses focus on bringing back staff from furlough. The Government Kickstart scheme will go some way to creating more opportunities for young people to experience work placements, but the scale of the issue in the Midlands requires additional support; graduate internships and related schemes are beneficial in helping employers and students to look more flexibly at transferable skills between sectors and the business benefits to be gained from bringing in new recruits with diverse knowledge and skillsets. Greater flexibility for employers and apprentices in how they are able to use their apprenticeship levy, is also required.

Economic Context

Global and National Outlook

Global Outlook

Hong Kong is to [suspend some social distancing measures](#) following a reduction in community infection rates. It had recently experienced a small uptick in infection rates which resulted from international travel.

[Across Europe](#) cases are continuing to rise. One major factor in increased infection rates has been the restart of intra-European travel, including people going on their summer holiday. In Germany almost 40% cases are thought to have been contracted abroad, according to the Robert Koch Institute.

This rate is similar to Italy, where almost a third of new cases were imported from overseas.

[Stock-index futures](#) are indicating a slightly higher open in Europe. This follows on from gains in Asia that have resulted from optimism about treatments for the coronavirus. Cloud and software stocks are likely get a supportive boost in Europe after Salesforce.com Inc. topped analysts' quarterly revenue and profit estimates. This indicates that many corporate customers have responded to the global pandemic and resulting lockdown economic slump by upgrading technology systems to enhance their businesses operations and services.

The headline [German IFO Business Climate Index came in at 92.6 in August](#), which registered stronger than last month's 90.5 while defying the consensus estimates of a lower reading. Germany has extended its job reservation program until the end of 2021. The measure is similar to the UK's furlough program.

Similarly, in France the [INSE's consumer confidence index](#) held at 94 in August, which was unchanged from July. This shows that the two major economies of the Eurozone are (so far) holding steady against market fears of resurgent infection rates, despite a reduction in the Eurozone's August flash PMI.

[August IHS Markit / CIPS Flash Composite PMI:](#)

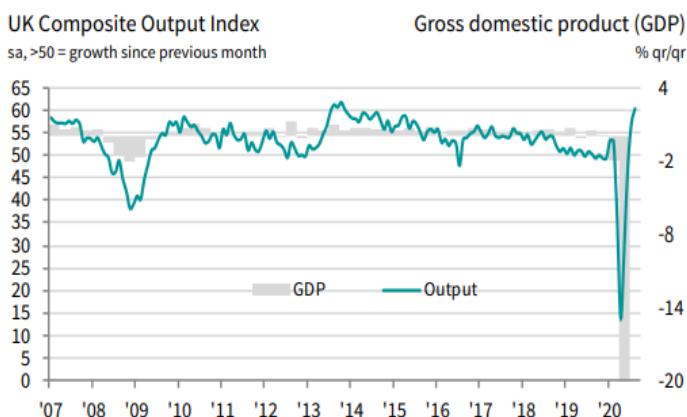
US: 54.7 (18 month high)
Japan: 44.9 (contraction)
UK: 60.3 (82 month high)
Eurozone: 51.6 (two month low)

National Outlook

[The IHS Markit / CPS August flash UK Markit flash PMI](#) registered at 60.3, an 82 month high. July registered at 57.0. Anything above 50 denotes growth.

UK private sector companies reported a sharp and accelerated increase in business activity during August. Both the manufacturing and service sectors are continuing to experience a recovery in consumer demand. The headline seasonally adjusted IHS Markit / CIPS Flash UK Composite Output Index –registered 60.3 in August, up from 57.0 in July and signalling the fastest rate of business activity expansion since October 2013.

Manufacturing production (index at 61.6) increased at a slightly quicker pace than service sector activity (60.1) during July, which may indicate an increase in demand for goods domestically and internationally.



Sources: IHS Markit, CIPS, Office for National Statistics.

The exceptionally higher levels of private sector output is overwhelmingly a result of the reopening of the UK economy after the lockdown period in the second quarter of the year and a subsequent increase in both consumer and business spending.

New order growth was mostly linked to an accelerated reopening among corporate customers, alongside greater willingness-to-spend among UK households.

The Chancellor's Eat Out to Help Out scheme has been a [successful policy intervention](#) at steering consumer behaviour, with over 64 million meals claimed under the discount scheme. The number of people in restaurants is 61% higher than average for Monday to Wednesday last year. 10.5m meals were claimed in the first week, rising to 35m in the second and then shooting up to 64m by the third.

National Outlook

Overall national GDP could fall by 10.3% in 2020, which would leave the economy around 6.4% smaller by the end of this year than before the pandemic struck. An approval of a vaccine in January 2021 could lift a large part of the uncertainty that is holding back growth. Once a vaccine has been rolled out, the government will be able to remove social distancing restrictions completely.

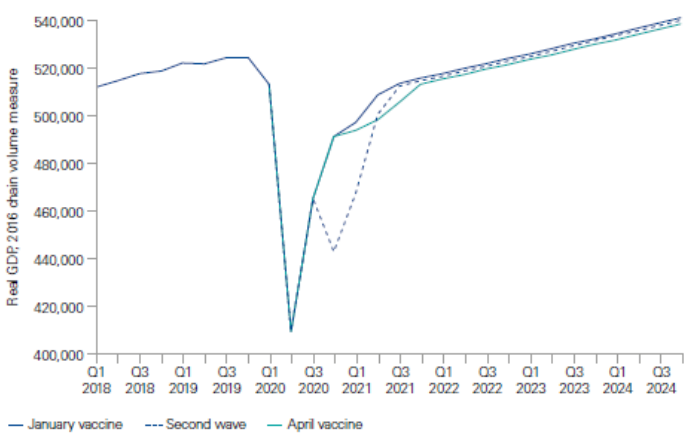
Although, KPMG’s economic outlook for September also highlights that the risks are skewed to the downside and include the resurgence of a second wave this year, no deal with the EU next year and limited progress in eradicating the pandemic. If these play out, GDP growth in 2021 could oscillate between 8.4% and 4% (similar to previous forecasts from various forecasting houses).

The government’s Job Retention Scheme has been greatly effective in keeping unemployment down during the peak of the crisis but as the scheme unwinds, and the economy continues to operate below capacity, unemployment could rise to just over 9% in the fourth quarter of 2020.

On the other hand, a combination of lower oil prices, temporary tax cuts and weaker demand could keep inflation well below the Bank of England’s 2% target. That should help keep base interest rate at 0.1% or below until at least the end of 2021.

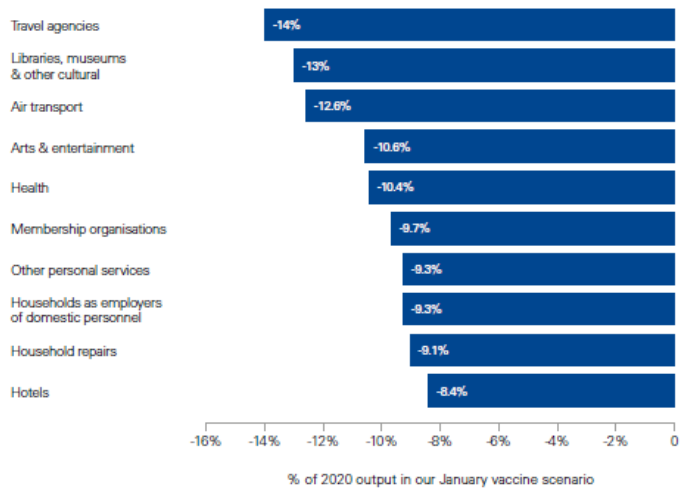
They highlight the main risk to the short-term outlook comes from the possibility of a second wave of infections and lockdown to contain the disease across much of the UK. Even if a second lockdown is shorter than the one that started in March –lasting just four weeks –it could exacerbate the drop in GDP to -12.6% in 2020.

The following chart highlights the potential paths of the different scenarios compared to their January 2021 vaccine baseline:



Source: ONS, KPMG forecasts

A second wave would hit some sector disproportionately as seen in the first wave and the KPMG estimates are illustrated below:



Source: ONS, KPMG analysis

Local GVA Forecasts

KPMG have also examined the regional vulnerabilities, which are highly uneven. They highlight areas exposed to air travel and employment around airports as exposed, UK holiday destinations are seeing a boom, which may soften the downturn earlier in the year. Local retail is also coming under stress as the fall in bricks and mortar retail is offset by a substantial increase in online shopping. July figures from the BRC-KPMG retail sales monitor show a 41% increase in the volume of online retail sales compared to a year ago, while overall sector activity appears unchanged. Retailers based in city centres are losing out as office workers continue to work from home.

The table below shows KPMG's Local Authority forecasts, with the largest GVA drops in 2020 in Stratford-on-Avon, North Warwickshire and Derby. In 2021 this will to some extent bounce back, but the growth will be lower than the contraction this year.

Local authority	2018 GVA, £ million (nominal)	2019	2020	2021	Local authority	2018 GVA, £ million (nominal)	2019	2020	2021
East Midlands					West Midlands				
Derby	7,209	0.2%	-12.4%	9.5%	Herefordshire, County of	4,334	1.0%	-10.3%	8.5%
Leicester	8,216	1.6%	-10.2%	9.1%	Shropshire	6,880	1.2%	-10.2%	9.0%
Nottingham	11,278	1.7%	-8.2%	8.3%	Stoke-on-Trent	6,324	1.1%	-10.4%	9.3%
Rutland	738	1.3%	-10.3%	9.4%	Telford and Wrekin	4,950	0.7%	-10.0%	7.4%
Amber Valley	2,688	1.1%	-9.8%	7.6%	Cannock Chase	2,166	1.5%	-11.4%	9.6%
Bolsover	1,442	1.0%	-11.3%	9.4%	East Staffordshire	3,320	1.0%	-11.5%	8.9%
Chesterfield	2,546	1.2%	-11.0%	10.2%	Lichfield	2,392	0.9%	-11.3%	9.5%
Derbyshire Dales	1,798	1.2%	-9.3%	7.7%	Newcastle-under-Lyme	2,364	1.6%	-10.5%	9.7%
Erewash	2,005	1.1%	-11.7%	9.3%	South Staffordshire	2,078	0.4%	-12.1%	9.1%
High Peak	1,721	0.9%	-10.0%	8.1%	Stafford	3,038	1.4%	-10.2%	8.7%
North East Derbyshire	1,472	1.3%	-11.5%	8.4%	Staffordshire Moorlands	1,724	0.4%	-10.8%	8.0%
South Derbyshire	1,727	0.5%	-11.3%	8.1%	Tamworth	1,510	1.1%	-11.1%	9.3%
Blaby	3,171	1.1%	-7.8%	6.9%	North Warwickshire	2,557	0.9%	-12.7%	10.0%
Charnwood	3,283	1.7%	-9.8%	8.9%	Nuneaton and Bedworth	2,688	0.7%	-11.2%	9.1%
Harborough	2,050	1.4%	-10.3%	9.4%	Rugby	2,490	1.5%	-10.3%	9.4%
Hinckley and Bosworth	2,393	1.3%	-9.4%	7.9%	Stratford-on-Avon	4,650	-0.8%	-14.4%	9.3%
Melton	1,270	0.8%	-9.1%	6.8%	Warwick	4,763	1.5%	-9.8%	8.8%
North West Leicestershire	3,470	1.2%	-10.7%	8.3%	Birmingham	27,266	1.1%	-9.9%	9.2%
Oadby and Wigston	951	1.5%	-9.4%	7.8%	Coventry	8,979	0.4%	-11.8%	9.6%
Boston	1,549	1.6%	-11.0%	8.8%	Dudley	6,066	0.9%	-10.4%	8.6%
East Lindsey	2,245	0.7%	-11.7%	10.1%	Sandwell	6,729	0.9%	-10.4%	8.3%
Lincoln	2,758	1.2%	-10.4%	9.6%	Solihull	7,529	0.3%	-11.7%	9.2%
North Kesteven	2,714	1.5%	-7.6%	6.5%	Walsall	5,742	1.1%	-9.9%	8.4%
South Holland	2,006	1.6%	-9.2%	6.1%	Wolverhampton	6,075	1.0%	-9.6%	8.3%
South Kesteven	2,900	1.2%	-10.7%	9.0%	Bromsgrove	2,551	0.9%	-10.9%	10.0%
West Lindsey	1,515	0.9%	-9.2%	7.7%	Malvern Hills	1,675	1.8%	-8.3%	8.2%
Corby	1,707	1.4%	-9.9%	7.2%	Redditch	2,199	0.8%	-10.7%	8.1%
Deventry	2,237	1.8%	-10.0%	8.8%	Worcester	3,102	1.3%	-9.6%	8.5%
East Northamptonshire	1,579	1.5%	-9.9%	8.7%	Wychavon	3,504	1.0%	-9.1%	7.3%
Kettering	2,258	1.3%	-11.8%	9.9%	Wyre Forest	1,759	1.0%	-11.0%	9.3%
Northampton	7,034	1.3%	-9.5%	8.9%	West Midlands	141,404	0.9%	-10.6%	8.9%
South Northamptonshire	1,925	1.5%	-10.2%	9.3%					
Wellingborough	1,756	1.3%	-10.6%	8.5%					
Ashfield	2,664	1.0%	-12.4%	10.0%					
Bassetlaw	2,557	1.3%	-10.4%	8.2%					
Broxtowe	2,019	1.3%	-8.0%	6.6%					
Gedling	1,570	1.2%	-11.1%	9.3%					
Mansfield	1,900	1.6%	-10.6%	9.4%					
Newark and Sherwood	2,470	1.1%	-10.3%	9.1%					
Rushcliffe	2,174	2.2%	-8.2%	8.8%					
East Midlands	108,963	1.3%	-10.0%	8.6%					

Business Activity Index

Purchasing Manager Index (PMI) Survey Analysis:

The headline West Midlands Business Activity Index increased from 50.4 in June 2020 to 61.9 in July 2020. Notably, this is the second-fastest increase in the survey history.

The headline East Midlands Business Activity Index has increased from 50.4 in June 2020 to 58.1 in July 2020. This increase is the fastest seen since February 2018 as client demand has been boosted since the broad reopening of businesses.

West Midlands Business Activity Index
sa, >50 = growth since previous month



East Midlands Business Activity Index
sa, >50 = growth since previous month



Source: IHS Markit, NatWest PMI, August 2020

The West Midlands was the highest region for the increase in the Business Activity Index and the East Midlands was the fifth highest.

Demand

Private sector firms in the West Midlands and East Midlands reported a further increase in new business in July. The West Midlands New Business Index has significantly increased from 50.9 in June to 63.8 which is the fastest increase seen across all 12 regions. The East Midlands New Business Index has increased from 51.8 in June to 57.5 in July. The rate of growth is the fastest seen since April 2018 and is among the sharpest seen in all the regions.

Capacity

Firms continued to register a drop in employment at the start of the third quarter. In the East Midlands and West Midlands the Employment Index was recorded at 42.4 and 41.8 respectively.

Outstanding business levels have remained largely unchanged for the West Midlands and the Outstanding Business Index registered at 49.8 in July 2020. In the East Midlands, outstanding business continues to fall in July 2020 and the Outstanding Business Index was 47.6.

Prices

After three straight months of decline for the input costs, there has now been an increase for the West Midlands in July. For the East Midlands this was the second successive month for the increase in input costs. The Input Prices Index was 55.9 for the East Midlands and 54.9 in the West Midlands in July 2020.

The Prices Charged Index was 50.6 in July 2020 for the East Midlands. For the West Midlands, the Prices Charged Index was 51.5 in June 2020, firms increased their selling prices for the second straight month.

Outlook

The West Midlands Future Business Activity Index increased from 69.1 in June to 75.2 in July. This is the highest level seen for three and a half years and the degree of confidence was the joint highest region with Yorkshire and The Humber. The increase in the Future Business Activity is driven by optimistic expectations for further recovery in economic activity with hope that market conditions will return to normality in the coming months.

Compared to the previous month the East Midlands Future Business Activity has changed from 64.0 in June to 70.2 in July. Optimism from firms is at the highest seen since February as they are hopeful there will be more client demand and the continual easing of lockdown restrictions.

Exports

The West Midlands Export Climate Index has changed from 48.0 in June to 52.4 in July, showing improvement in conditions across the West Midlands exports markets since January 2020.

The East Midlands Export Climate Index has changed from 47.6 in June to 52.0 in July. This shows the first strengthening of export conditions since the start of the year for the East Midlands and also the greatest improvement since February 2019.

ONS - Business Impact of the Coronavirus

The final results from the eleventh round of the Business Impact of Coronavirus Survey (BICS) based off 23,905 businesses surveyed across the UK with a response rate of 22.6% (5,927).

Of the 3,749 businesses surveyed across the West Midlands, there was a response rate of 26.6% (998). For the East Midlands, of the 3,162 businesses surveyed there was a response rate of 27.3% (869). Unless stated, the following data is based on the period between 27th July to 9th August 2020.

Trading and Financial Performance

The trading status of businesses refer to the period of 10th – 23rd August 2020 and the turnover analysis is between 27th July– 9th August.

Less than 1% of UK businesses reported they have permanently ceased trading with 4.2% temporarily closed or paused trading and 95.2% continuing to trade. The figures for the East Midlands and West Midlands show that also less than 1% of businesses have permanently ceased trading. While 97.0% of businesses have continued to trade and 2.2% of West Midlands businesses and 2.6% of East Midlands businesses have temporarily closed or paused trading.

95.2% of responding West Midlands and 95.9% of East Midlands businesses are currently trading and have been for more than the last two weeks (UK 92.8%). 1.8% of West Midlands businesses and 1.2% of East Midlands businesses started trading within the last two weeks after a pause in trading (UK 2.4%). Less than 1% of responding West Midlands and East Midlands businesses have paused trading but intend to restart in the next two weeks (UK less than 1%). Although, 1.5% of responding West Midlands businesses and 2.4% of East Midlands businesses have paused trading and do not intend to restart in the next two weeks (UK 3.4%).

55.8% of trading businesses in the West Midlands and 51.5% of East Midlands businesses reported their turnover had decreased by at least 20% (UK 50.8%). However, 26.0% of trading businesses in the West Midlands and 28.4% for the East Midlands reported that their turnover was unaffected (UK 31.7%) and 12.0% reported their turnover had increased by at least 20% in the West Midlands and 13.4% for the East Midlands (UK 10.5%).

Turnover Versus Operating Costs

13.4% of West Midlands businesses and 12.5% of East Midlands Business reported that operating costs exceeded turnover by at least 20% (UK 14.9%). 9.1% for the West Midlands and 11.5% reported turnover was equal to operating costs (UK 12.4%). While 54.0% of West Midlands businesses and 54.4% of East Midlands businesses reported turnover exceed operating costs by at least 20% (UK 48.5%).

Currently Paused or Ceased Trading Business Sites

In the West Midlands the highest industry where businesses are currently paused or ceased trading is in the arts, entertainment and recreation industry at 4.3%, followed by accommodation and food services at 4.0%. For the East Midlands, the highest industry was the accommodation and food services industry at 4.5%, followed by the administrative and support services activities at 3.0%.

The following table shows a breakdown by region the percentage of businesses that have paused or ceased trading by industry:

Industry	East Midlands	West Midlands
Manufacturing	*	*
Water Supply, Sewerage, Waste Management & Remediation Activities	1.8%	1.8%
Construction	*	1.1%
Wholesale And Retail Trade; Repair of Motor Vehicles & Motorcycles	*	1.8%
Transportation & Storage	1.9%	1.5%
Accommodation & Food Service Activities	4.5%	4.0%
Information & Communication	1.1%	1.3%
Real Estate Activities	0.0%	0.0%
Professional, Scientific & Technical Activities	*	*
Administrative & Support Service Activities	3.0%	2.3%
Education	1.8%	1.8%
Human Health & Social Work Activities	0.0%	1.8%
Arts, Entertainment & Recreation	2.4%	4.3%
All Industries	1.5%	1.6%

ONS - Business Impact of the Coronavirus

Business Interest

Between 27th July – 9th August, 26.8% of West Midlands and 26.1% of East Midlands businesses reported in the last two weeks the pandemic has caused customer interest to decrease in their goods and services compared to normal expectations (UK 27.3%). Although 13.0% and 13.8% respectively experienced an increase in customer interest (UK 12.3%). 34.4% for the West Midlands and 33.7% for East Midlands businesses reported customer interest had stayed the same (35.4% UK).

Footfall

24.6% of West Midlands businesses and 25.6% of East Midlands businesses reported between 27th July – 9th August that the pandemic had affected footfall when compared to normal expectations (UK 24.8%). 3.1% and 4.4% respectively of businesses reported footfall has increased (UK 4.0%). With 9.5% of West Midlands businesses and 10.8% of East Midlands businesses reporting footfall has stayed the same.

International Trading

For businesses in the Midlands continuing to export and import found that within the last two weeks, less than 1% of businesses has not been able to export (UK <1%). While less than 1% of business in the West Midlands and East Midlands had not been able to import within the last two weeks – matching the UK trend.

44.2% of exporting businesses in the West Midlands, and 42.4% for the East Midlands reported their businesses were still exporting but less than normal (UK 39.4%). Of those businesses who continued to trade and import, 35.2% in the West Midlands and 34.1% in the East Midlands were importing less than normal (UK 31.9%).

47.0% of West Midlands businesses and 46.4% of East Midlands businesses who were exporting reported that they had not been affected (UK 50.5%) and 52.8% of West Midlands importers and 52.3% of East Midlands importers said that importing had not been affected (UK 56.8).

1.9% of businesses in the West Midlands and 4.6% for the East Midlands are exporting more than normal (UK 3.3%). The figures for importing more than usual are 4.1% for the West Midlands and 4.5% for the East Midlands (UK 4.2%).

Source: ONS, Business Impact of Coronavirus Survey

Capital Expenditure

32.0% of West Midlands and 33.2% of East Midlands businesses reported capital expenditure has not been affected. 14.9% and 12.1% (respectively) reported capital expenditure had stopped. While 35.2% of West Midlands and 33.9% of East Midlands businesses reported capital expenditure is lower than normal and 3.4% of West Midlands and East Midlands businesses reported capital expenditure is higher than normal.

Funds from Government Schemes

97.8% of West Midlands businesses and 97.7% of East Midlands businesses had received funds from the Coronavirus Job Retention Scheme. 15.5% and 12.4% respectively had received funds from government backed loans or financial agreements. While 1.3% and 1.4% respectively have not received any funds.

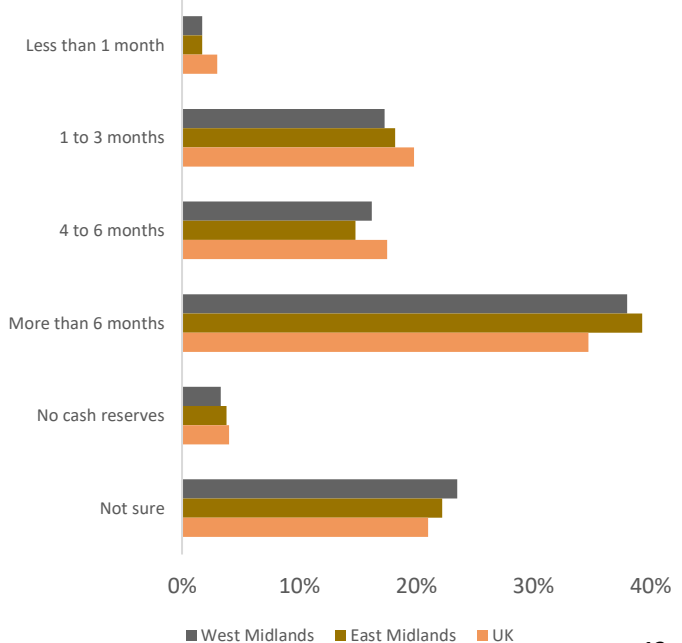
Insolvency

1.0% of Midlands businesses are at severe risk of insolvency (UK 1.3%). 7.9% of West Midlands and 7.0% of East Midlands businesses were at moderate risk. 47.5% of West Midlands businesses and 47.1% of East Midlands businesses were at low risk and 31.4% and 31.9% respectively were not at any risk.

Cash Flow

3.3% of West Midlands businesses and 3.8% of East Midlands businesses have no cash reserves (UK 4.0%).

The following graph shows for businesses how long their cash reserves would last:



This section draws on contributions from the East Midlands Chamber, Make UK, the NFU, CBI, FSB, Growth Hubs and Universities across the region (sourced from Midlands Innovation and Midlands Enterprise Universities networks).

Manufacturing

Many manufacturers report the likelihood of redundancies once the Job Retention Scheme comes to an end in October. There is a strong case for extending this scheme – particularly for strategically important sectors where recovery is expected to take some time. Concerns are now being raised about the potential permanent loss of highly skilled engineers to the manufacturing sector that could result from large scale redundancies. Redeployment schemes of the type now being used by Rolls Royce in Derby may be needed on a sector-wide scale across the Midlands.

Multi-plant manufacturers operating from different locations are reporting concerns about the inconsistent approach to local lockdowns across the country. Researching the specific requirements of lockdown in different parts of the country is a drain on resources that could be more productively employed.

Government exhortations to return to work are said to be unwelcome. Employers are reported as preferring to see the nature and extent of return to work decisions left to the individual firm and their staff.

Brexit preparedness remains a concern for many businesses – in the absence of clarity over future trading arrangements with the EU. Concerns have been raised that many firms - post-COVID-19 – will not have the resources necessary to stockpile supplies in order to mitigate potential delays resulting from customs checks and associated administrative processes.

Farming – NFU

The reopening of the food services sector does now seem to have fed through into rising demand for farm produce. There are signs that commodity prices for products such as lamb (and livestock in general) have recovered as a result.

The main harvest season is almost complete. Previously reported concerns that flooding early in the year compounded by a very dry May could result in reduced yields for some crops in affected areas of the country have been realised. Yields for grain are significantly lower than seen in recent years. This is likely to feed through into rising prices for some food products.

There is evidence that ‘eat out to help out’ initiative has resulted into stronger demand for farm produce. It is reported to have helped improve carcass utilisation. It may also have resulted in stronger demand for grains/malt used in brewing.

Leicester Lockdown

The local lockdown in Leicester remains in force – not withstanding the pronounced fall in case numbers in recent weeks. Public Health England reported 21.5 cases per 100,000 in Leicester during the week to 1st September. This is a lower rate than a number of areas elsewhere that are not covered by local lockdowns. This has raised the obvious question of why lockdown remains in force locally and when it may be lifted?

Specific lockdown measures have eased as case numbers have fallen in the city. As is customary in Leicester, most schools reopened to pupils during the last week of August. However, households are still prohibited from meeting in homes/gardens and a number of types of business are still prohibited from opening. These include casinos, bowling alleys, indoor play areas, including soft play areas, exhibition centres and conference halls, indoor gyms, indoor fitness and dance studios, indoor sports courts and facilities, indoor swimming pools. Many of these kinds of businesses have now been unable to trade for close to 6 months. Business failures would seem inevitable.

Local Business Intelligence

THEME	KEY CONCERNS
Retail	<p>Consumer Behaviour & Sales</p> <ul style="list-style-type: none"> Retail sales benefitted in July from a full month of non-essential retailers being allowed to open (having been allowed to open from mid-June after being closed from 23 March). The opening up of the hospitality sector and other consumer service sectors may have diverted some consumer spending away from retail sales towards services as sales in August have fallen. <p>Costs</p> <ul style="list-style-type: none"> Some retail businesses experiencing increased costs as customers are following government advice not to use cash. This is more evident with high frequency, lower value transactions and does vary dependent on service providers. Retail business owners are concerned about the return to normal business rate payments as of April 2021 after the current 12 month rates holiday scheme ends. Businesses would like to understand more about government plans and expectations so they themselves can forward plan for the next fiscal year. <p>Jobs & Furlough - Marks and Spencer has announced it plans to shed around 7,000 jobs over the next three months across stores, regional management and its support centre in response to a “material shift in trade”. The retailer said that during lockdown it has learnt to work more flexibly, using the same staff to man both the food aisles and the clothing section of the stores. Although, Amazon is taking on 7,000 permanent staff in the UK to meet rising demand for online shopping and is recruiting 20,000 seasonal workers as it gears up for the festive period.</p>
Construction	<p>Jobs & Furlough - About 40% of employees at Coleman Group (Birmingham-based company) behind a demolition contractor are set to leave the business, it has been revealed. Ibstock Brick reported that the Covid-19 epidemic brought “significant reductions” in its concrete and clay divisions, which led to the mothballing of three plants and 375 job losses to deliver £20m of savings a year. Despite this, the company is encouraged by the latest market trends.</p> <p>Project Delays - Some construction businesses suffering from project delays – this has significant financial consequences.</p>
Manufacturing	<p>Jobs & Furlough</p> <ul style="list-style-type: none"> Around 100 jobs will be lost from BMW's Hams Hall engine plant in Birmingham, where 1,200 people are currently employed. Those that have remained busy have in some cases taken on extra staff. Remained busy over past 6 months due to increase in sales to smaller retail shops and more local purchasing. One business who supply to retail shops said they had taken on season staff to help manufacture Christmas ranges. <p>Investment - Many manufacturing businesses are adapting well to the situation, and many are looking to invest in capital.</p>
Visitor Economy	<p>Jobs & Furlough</p> <ul style="list-style-type: none"> Likely to be hit harder than other sectors by the end of the furlough scheme. A big post-furloughing unemployment spike this autumn will follow unless there is further targeted support. Pizza Express announced that they will be closing 73 UK restaurants, with over 1,100 jobs lost. This will affect many areas across the Midlands Engine. One of the largest consumer sports shows in the UK has left the National Exhibition Centre after almost a decade. <p>Consumer Behaviour & Sales - The eat out to help out scheme has generally been well met and the hospitality economy has been boosted by strong visitor numbers.</p> <p>Social Distancing - Despite the success of the eat out to help out scheme, the majority of our hospitality businesses are still only operating at a maximum of 50% capacity (and for some this is down to 25%) due to social distancing rules. This means that the sector is still highly at risk once the peak season ends.</p>

Impact of COVID-19 on Education & Skills

Impact of COVID-19 on Schools

School Performance

Across the Midlands Engine there were 1.54m pupils attending 3,489 primary and 728 secondary schools in the 2018/19 academic year. The map on the next page illustrates the Progress 8 Performance across the Region with the average Progress 8 score in the Midlands Engine in 2018/19 at -0.10, which is lower than the national average of -0.03. In response to COVID-19 schools were closed in March 2020 and the [government announced](#) that all exams due to take place in schools in England in summer 2020 were cancelled and that it will not publish any school level educational performance data based on tests, assessments or exams for 2020.

However, nationally results are available for 2019/20 and there have been record-breaking results for GCSEs with 25.9% of students awarded grade 7 or higher (under the old system is equal to an A or A*) compared to 20.7% for 2018/19. Pass rates for students achieving grade 4 or above have increased from 67.1% in 2018/19 to 76% in 2019/20.

Over the period from late March to the end of June 2020 schools across the UK have been shut (for the majority of students), along with colleges and universities. During wars and natural disasters around the world attempts have been made to keep schools open as much as possible, due to concerns about the long-term effects of short-term closures for educational achievement, which in turn has implications for skills development and access to the labour market.

Disruption to the education system

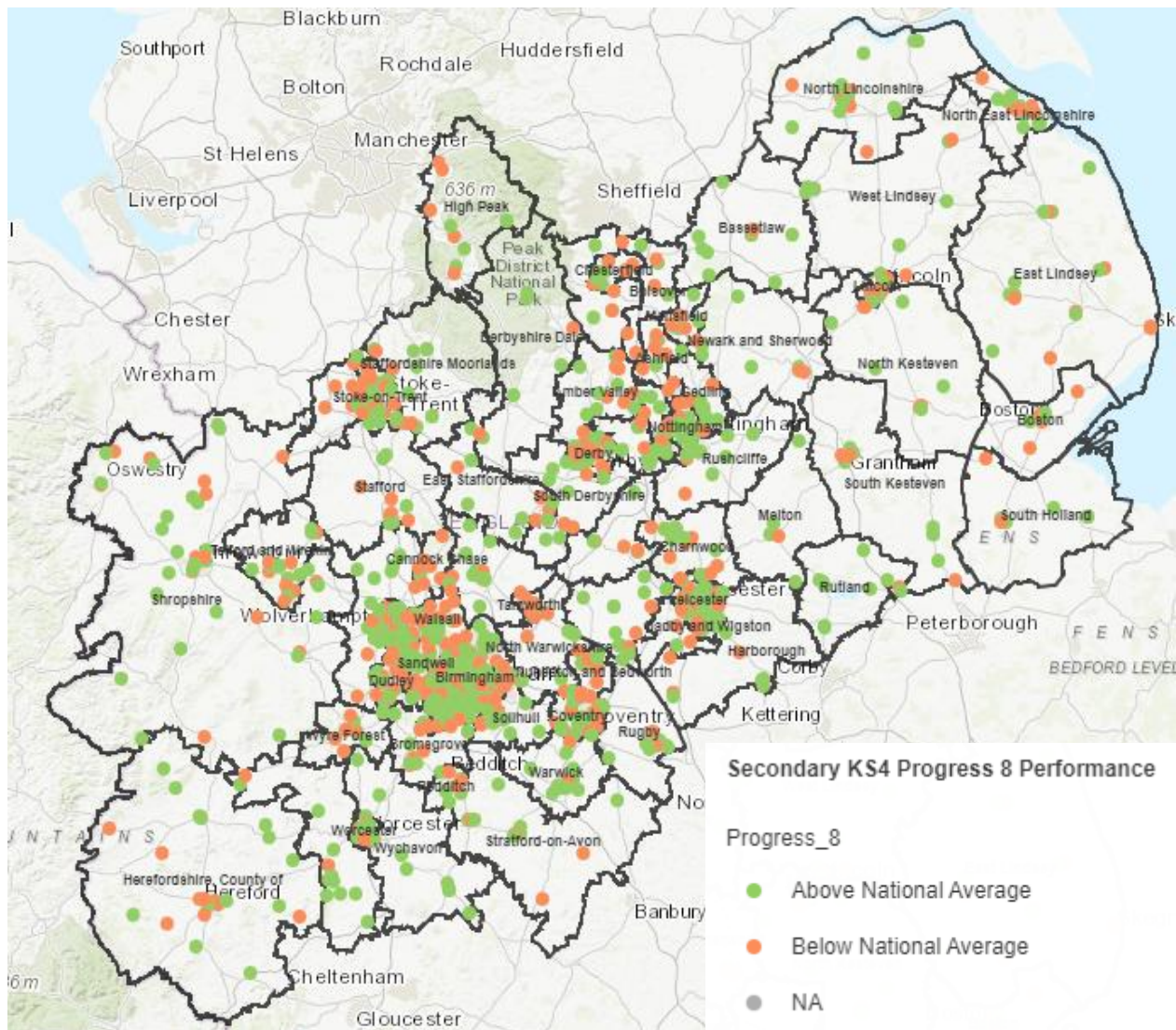
As stated in Green (2020)* the closure of schools and other educational establishments inevitably impacts on learning. Clearly digitalisation enables ever more learning to take place online, but there are variations between students in access to technology and to suitable study environments, as well as parental support for children. Individuals in households facing financial hardship or where there is less family support for learning are impacted most. OECD analysis of 2018 PISA data reported by Eyles et al. (2020) in an assessment of the implications for educational achievement of the Covid-19 school shutdowns shows that 40% of economically disadvantaged students in UK secondary schools had access to online learning platforms, compared with 70% of more advantaged peers. Moreover, there is limited evidence on mitigation measures – including how distance learning/use of digital technologies impact on learning (Hallgarten, 2020).

There are particular concerns about skills development that is less easy to replicate online, including the development of social and emotional skills, such as critical thinking and perseverance, which are important for educational success and that are prized by employers. The negative impact of a lack of face-to-face school provision is likely to be particularly large for young children given that the earlier years of a child's life are particularly important for improving their cognitive and non-cognitive skills (Burgess and Vignoles, 2020). Evidence suggests that lockdown accentuates existing inequalities. In a Sutton Trust assessment of the impact of the social mobility implications of school shutdown in the context of Covid-19, Cullinane and Montacute (2020) note that pupils from middle class homes are much more likely to be taking part in live and recorded lessons every day (30%), compared with those from working class homes (16%). Also on the theme of inequalities and the social outcomes of education, in the context of Covid-19 there is evidence from the OECD (2020a) that healthy habits during confinement – including keeping in touch with friends and family – increase with educational attainment, while the incidence of depression decreases.

*Source: Department for Education, 2020, Green A (2020, in press) 'The Covid-19 crisis and implications for skills development and the skills system' in McCann P and Vorley T (eds.) *Productivity and the Pandemic: The way forward*. Cheltenham: Edward Elgar.

Impact of COVID-19 on Schools

School Performance 2018/19

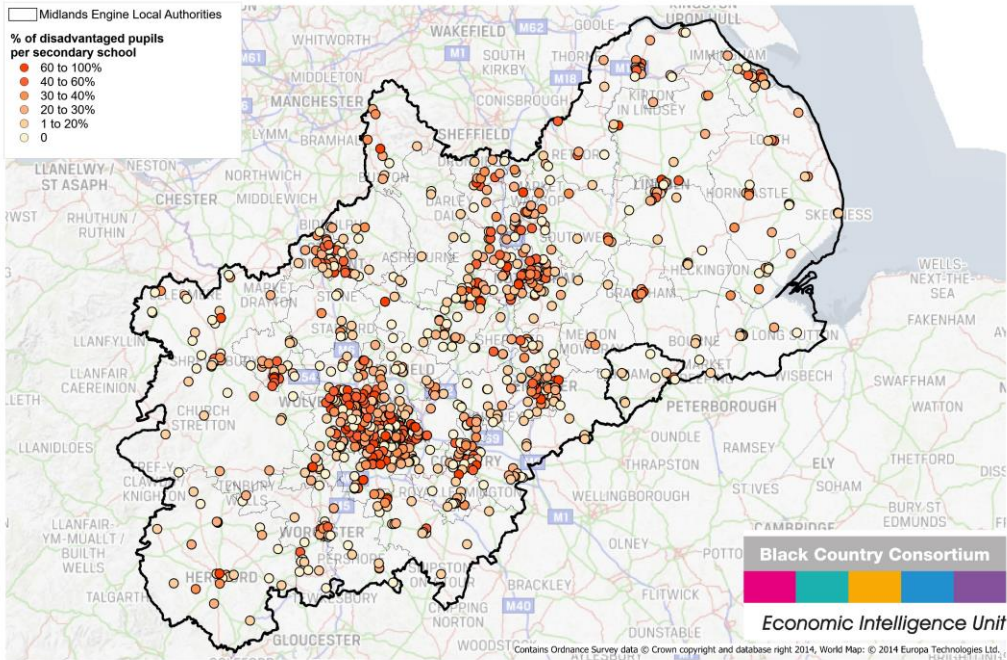


Impact of COVID-19 on Schools

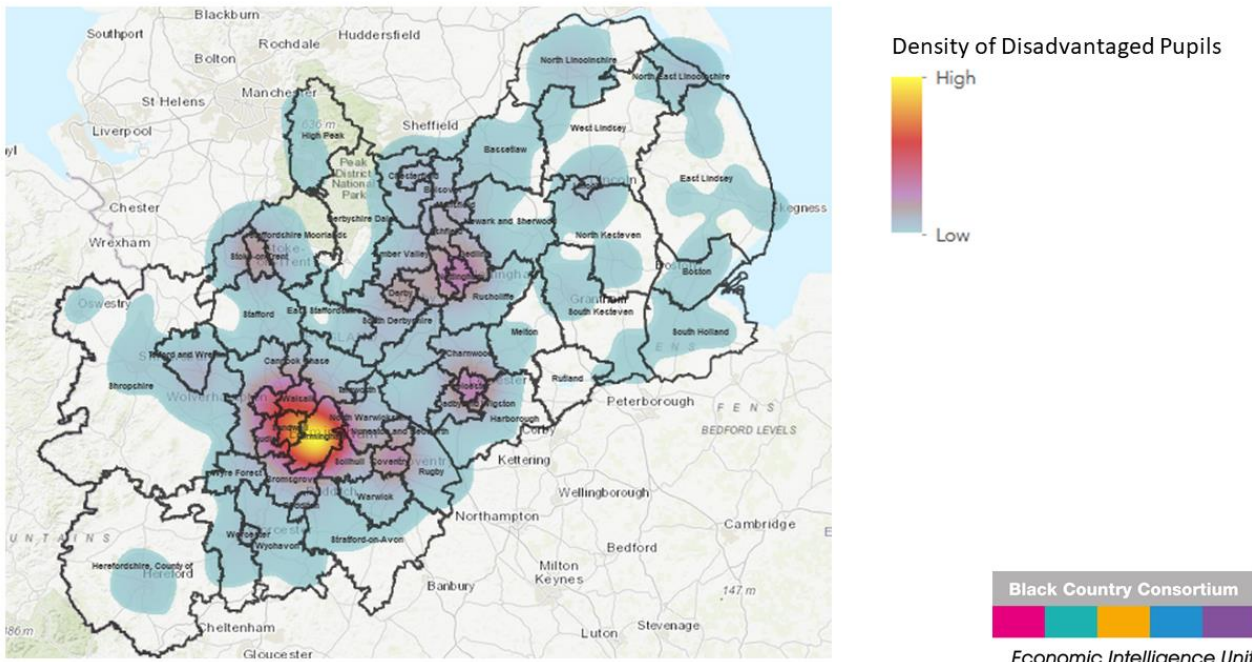
The Sutton Trust 2020, Social Mobility and Covid-19 report outlines how the closure of schools is likely to have the largest impact on those from the poorest families. Students from disadvantaged backgrounds are already twice as likely to leave formal education without GCSEs in English and Maths compared to their better off classmates. Time away from school, for example during the summer holidays, widens this gap. Furthermore, due to the ongoing economic crisis caused by the pandemic, many more families will be facing other challenges which indirectly impact on attainment, such as increased poverty and food insecurity.

The following maps shows the % of disadvantaged pupils per secondary school with some particular high density areas across the region.

MIDLANDS ENGINE



MIDLANDS ENGINE



* Pupils are defined as disadvantaged if recorded as: Eligible for Free Schools Meals (FSM) in the last six years; Looked After Children (LAC) continuously for one day or more; •Post LAC: because of an adoption, a special guardianship order, a child arrangement order or a residence order

Impact of COVID-19 on A Levels

A Level results were released recently and as predicted results were higher, this was corrected by an approach which ensured balance at the national level, but resulted in uneven and severe issues where grades were downgraded specifically which impacted on certain schools and individuals at a local level. This was carried out by applying previous patterns to latest predicted grades. This also exposed biases within the education system such as the impact of smaller class sizes and the pupils in schools in disadvantaged areas. The difficulty in reconciling individual fairness and a balanced distribution of grades led the Government to decide to drop the algorithm which Ofqual had used for estimating grades this year.

Several difficulties prompted this:

- Artificially awarding low and 'fail' grades to pupils who didn't have a chance to prove themselves was always going to be an issue. This was especially difficult as UCAS data on teacher predictions in previous years shows that historically, teachers have almost never predicted grades lower than a C.
- There are limitations of sample size for some subjects and schools with a small student count, which meant that teachers' predicted grades were needed to estimate in these cases. This introduced a potential inequity because many smaller courses (such as ancient languages) are more concentrated in private schools, and the teacher's assessment is typically more generous than the Ofqual algorithm.
- With AS levels having been phased out in England, these grades could not be either awarded at A Level or used for calibration.

And the decision has several potential repercussions:

- A Level grades are 14% higher than last year. Large discrepancies can be seen at the lower end of the grade spectrum. Although there may be gaps in university enrolments from international students, this may now be filled by UK domiciled students deciding to go to university to 'ride out' the effects of the pandemic on the jobs market. Higher grades may have allowed some students to apply to university through clearing which they may not have been able to had they sat their exams and got lower grades.
- The UK government confirmed that they are considering introducing a cap for enrolments in medicine, which may exclude some students who achieved the necessary grades.
- Many universities with lower entry requirements may now face reduced enrolment numbers as students were awarded higher grades and opted to attend universities with higher entry requirements. These institutions could be left in a financially precarious position.
- The higher overall grade distribution means that some students may receive a passing grade and go on to university who would not have passed their exam had they been required to take it. This may mean that some students may not be ready for the rigours of university study.
- The fallout of this issue has now been passed onto universities to resolve, at a peak time of the year and whilst many universities were facing redundancy processes.

Long term implications:

- Next year's cohort of students may face continued disruption to their studies if continued lockdowns and outbreaks happen through out this coming academic year. This could make the assessment process harder for next summer's exams results given the huge variations between students in access to technology and to suitable study environments, as well as parental support for children. Individuals in households facing financial hardship or where there is less family support for learning will be impacted most.
- In the longer term, the confidence in the system is weakened which may have impacts on the way people getting qualifications this year and next year are perceived by employers.
- The approach has also exposed weaknesses in the awarding systems and inherent inequality in the education system.
- A vibrant EdTech industry might emerge as digital learning and online collaboration opportunities are embraced.

Case Study - Careers & Enterprise Company

Young people require good quality careers education and advice in order to make informed decisions and the earlier this guidance can be provided the better, so that teenagers can be inspired by future possibilities and have time to obtain the skills and qualifications they need. By providing young people with work experience and becoming involved with careers guidance, employers can spell out the value of the skills and knowledge developed at school and open pupils' eyes to career opportunities. The OECD 'research studies suggest that young people particularly value information on jobs and careers if obtained in a real workplace and through contacts with working people'.

The Careers & Enterprise Company's (CEC) role is to link schools and colleges to employers and to help them deliver world class careers support for all young people. CEC's regular dialogue with 5,000 Career Leaders from the outset of Covid-19 lockdown, alongside polling across the wider teaching profession shows:

- 74% of teachers say employability skills are now the most important way to improve pupils' career prospects, compared to 62% who say good academic grades are.
- 49% fear a lack of jobs for young people and damage to their career prospects as result of pandemic.
- 51% are concerned about the restriction lockdown is placing on their ability to meet face-to-face with their GCSE and A level students and talk them through options and choices.

The CEC are seeing strong engagement in two key areas:

1. The take up of their digital tools to enable schools and colleges to pinpoint and react to need at a year group and student level, quickly – with a further 1000 onboarded to the new Compass + tool since school closure
2. Continued and sustained opportunities for virtual personal CPD for Careers Leaders to enable them to take a leadership role, marshalling and influencing careers provision. Secondary heads and college principals are reporting that their Career Leaders are amongst the busiest members of teaching staff..

The regular dialogue with employers alongside additional polling across business leaders shows what business leaders think young people can do to improve their employability in the post-Covid jobs market:

- 90% of business leaders say that it is important for young people to update and tailor their CV according to the job they are interested in
- 88% of business leaders say that it is important for young people to contact employers to ask for careers advice relevant to their sector of interest
- 88% of business leaders say that it is important for young people to develop skills / knowledge through on-line learning and courses
- 88% of business leaders say that it is important for young people to undertake work experience / internships
- 84% of business leaders say that it is important for young people to undertake volunteering to develop skills and demonstrate character

Potential Recovery Plan

- Through regular, weekly contact with 5,000 school and college Careers Leaders the CEC has responded to their needs. Actions taken include:
 - **A national "My Week of Work" initiative**
 - **Deployment of Careers Hubs:**
 - **10 'Work It' career talks.**
 - **Refocusing providers**, to support them to find new ways to deliver careers activity in online circumstances.

According to the Career Development Institute, young people require good quality careers education and advice in order to make informed decisions and the earlier this guidance can be provided the better, so that teenagers can be inspired by future possibilities and have time to obtain the skills and qualifications they need. By providing young people with work experience and becoming involved with careers guidance, employers can spell out the value of the skills and knowledge developed at school and open pupils' eyes to career opportunities.

Midlands Engine Skills Profile Pre COVID-19

Qualifications

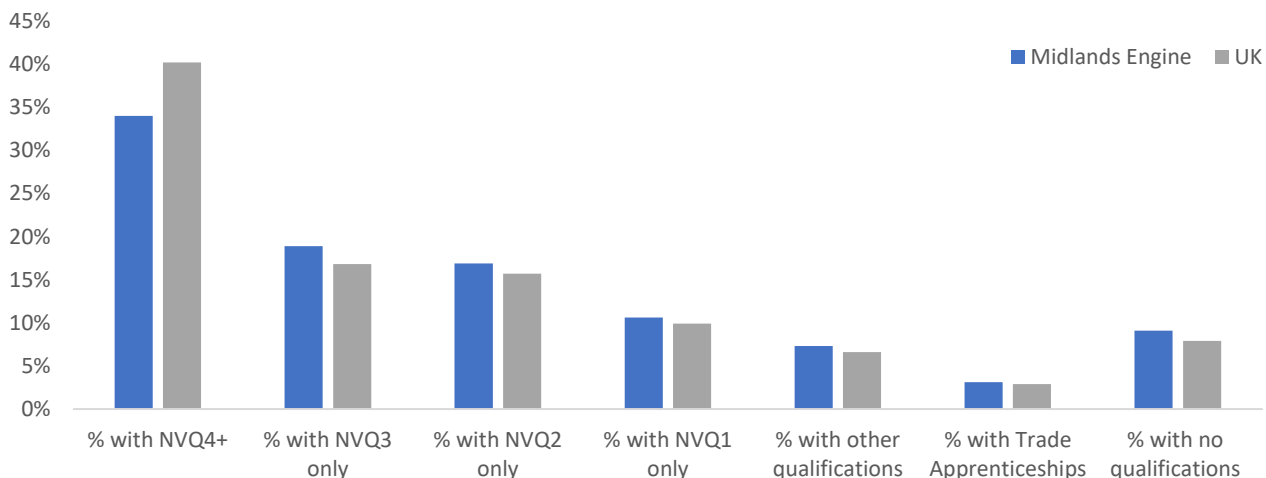
Across the Midlands Engine geography, 34.0% (2,134,600) of the working age population (16-64 years old) were educated to NVQ level 4 and above in 2019, the UK average was 40.2%. NVQ4 and above qualifications have increased by 3.8% (+77,800 people) from 2018, compared to the UK growth of 2.9%. To reach the UK average of 40.2% requires an additional 390,322 people to gain an NVQ4 qualification.

18.9% (1,188,900) hold a NVQ3 qualification in the Midlands Engine area which is above the UK average of 16.8% in 2019. Since 2018, this is an increase of 3.8% (+43,300), while the UK experienced a decrease of 1.1%.

16.9% (1,061,300) hold a NVQ2 qualification in the Midlands Engine which is above the UK average of 15.7% in 2019. Since 2018, the proportion has remained the same percentage but the number of people has decreased by 300 people while the UK decreased by 0.2%.

10.6% (667,300) hold a NVQ1 qualification in the Midlands Engine which is above the UK average of 9.9% in 2019. Since 2018, this is a decrease of 8.4% (-61,000), the UK has decreased by 4.1%.

In 2019, 9.1% (572,800) of the working age population in the Midlands Engine had no qualifications which is above the UK average of 7.9%. However, over the past year there was a 3.5% (-20,600 people) decrease compared to a 1.3% decrease for the UK. Notably, Rugby has decreased from 9,200 people (14.2%) in 2018 to 2,800 people (4.2%) for the number of people with no qualifications. To eradicate the gap with the national average, a further 76,609 working age Midlands Engine residents are needed to obtain at least one qualification.



	2018	2019	2019 %	% UK	Midlands Engine % Change 2017/18	Gap to UK
% with NVQ4+	2,056,800	2,134,600	34.0%	40.2%	+3.8%	+390,322
% with NVQ3 only	1,145,600	1,188,900	18.9%	16.8%	+3.8%	Above UK
% with NVQ2 only	1,061,600	1,061,300	16.9%	15.7%	0.0%	Above UK
% with NVQ1 only	728,300	667,300	10.6%	9.9%	-8.4%	Above UK
% with Other Qualifications	508,600	460,500	7.3%	6.6%	-9.5%	Above UK
% with Trade Apprenticeships	175,900	195,700	3.1%	2.9%	+11.3%	Above UK
% with No Qualifications	593,400	572,800	9.1%	7.9%	-3.5%	-76,609

Impact of COVID-19 for Further Education Leavers

The COVID-19 recession has serious implications for the skills system, with thousands of students, many of them young people without prior employment experience, entering a job market which in the near term has comparatively little to offer them.

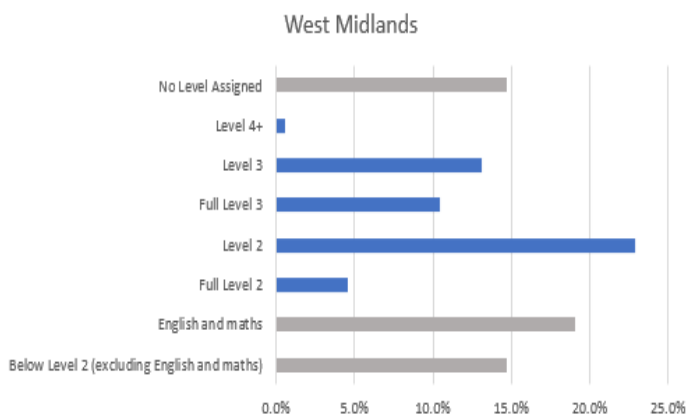
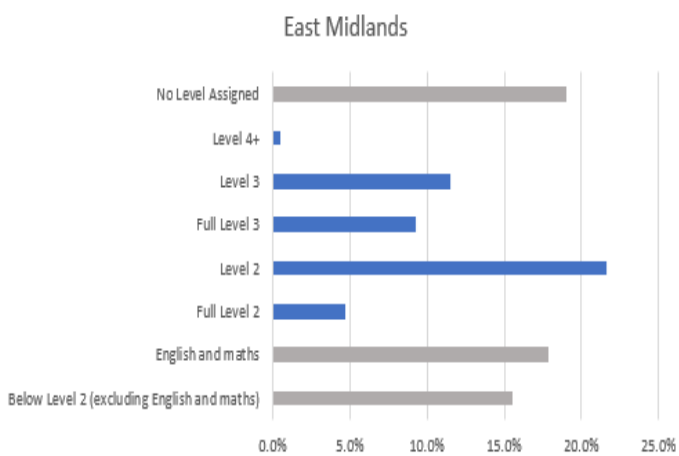
The result may be unemployment for many who will have completed their courses of study in recent and coming months, as well as a greater demand for further education (FE) from those hoping to improve their prospects.

As the changes in the makeup of the FE system in the past few years are modest, data on further education funding and provision from the Education and Skills Funding Agency (ESFA) for 2019 gives a good indication of what the 2020 February-July student cohort will look like. Note that the figures in the charts below indicate total course completions by category, not individual students.

Achievements by NVQ Level

Nominal NVQ levels can be used to place vocational, technical, and academic qualifications on a single scale, by matching them to NVQs (National Vocational Qualifications) of the same level. This allows us to understand and contrast changes in overall skills levels in the region. A further distinction is made between individual qualifications at level 2 and 3, and students achieving a full level 2 or 3 set (equivalent to completing a full set of GCSEs, or three A Levels.)

Further education in the Midlands concentrated at the lower end of the skills spectrum (i.e. Entry level and Level 1 - as shown in the charts below), raising the additional concern that new entrants to the job market may struggle to compete with more experienced candidates who have previously worked in the field and have recently lost their jobs:



There is little difference between the East and West Midlands in terms of the proportion of students attaining each level of qualification.

Equity and Demographics

Asian/Asian British, Black African/Caribbean/British ethnicities comprise a larger share of FE students than their share of the overall population would predict, in both the East and West Midlands. This raises the concern that poor employment prospects for the overall 2020 cohort may compound, or at least perpetuate, existing inequities by ethnic group. The summary table below comprises students of all ages in the East and West Midlands who successfully completed courses in the February-July 2019 period:

Region	Ethnicity	FE Course Completions	2011 Census
East Midlands	Black, Asian or Minority	16.52%	10.8%
	White	85.63%	89.3%
West Midlands	Black, Asian or Minority	22.82%	17.4%
	White	78.30%	82.7%

Impact on COVID-19 on Midlands Colleges

Every year, around 350,000 people and thousands of businesses choose one of the Midlands' sixth form and further education colleges to support them on their journey to succeed. The region's colleges can boast impressive outcomes including progression to university for young people from disadvantaged backgrounds, equipping adults with the education they need to live fulfilling lives and tooling the region's employers with workforce development, a pipeline of talented employees and apprenticeships.

The COVID-19 pandemic, and associated economic and political responses, have altered, in some ways permanently, the way that colleges do things. The short term impacts on colleges have been substantial and the longer term impacts, including local economic conditions, are beginning to be understood.

Impact of COVID-19 for Further Education Institutions

Teaching and Learning

Colleges very quickly transitioned teaching and training online when lockdown measures were introduced, enabling students to continue their studies safely. Teachers and curriculum teams had to innovate in their delivery, particularly for technical and vocational subjects where teaching and learning would typically involve significant practical work. Further, colleges have, in a limited way, been able to provide some support to students who have not had access to laptops and tablets at home as access to technology can be significant barrier for students.

Lockdown restrictions occurred at a time when many students were completing their courses. As such, assessment methods had to be adapted. For students that require practical assessments, such as motor vehicle or electrical installation, or those whose practice requires close contact, such as beauty therapy, some of those students are still yet to complete. For other students, colleges have provided centre-assessed grades based on their performance throughout their course which has enabled them to progress to their next steps as far as possible.

The impact of centre-assessed grades for school-leavers will be carefully monitored by colleges over the coming term to ensure that new students are on the right course and at the right level.

Apprenticeships

The rate of new apprenticeship starts declined significantly as businesses ceased activity. Many existing apprentices were furloughed as part of the Coronavirus Job Retention Scheme or sadly made redundant. The impact for some colleges has been severe. The sudden drop in new apprenticeships will in some colleges represent a significant in-year drop in income. Some colleges report some recovery; apprentices returning to work from furlough, business in select sectors starting to re-engage, but there remains concern that prolonged absence of demand could divert resources away from apprenticeships to other areas.

Re-Opening

Throughout the crisis, colleges have had to navigate a myriad of complicated relationships with multiple awarding organisations; regulators such as the Education and Skills Funding Agency, Office for Students and Ofqual; local authorities and employers as well of course as ensuring communications to staff and students are clear and up to date. While colleges have done this successfully, already challenging situations have, too often, become more difficult guidance from central government has either come very late or has to be interpreted from guidance written for schools.

Early indications show that re-opening this September has been successful following extensive planning over the summer to ensure students and staff returning to college are kept safe. Early reports suggest spikes in enrolments for courses in engineering, construction and health and social care. Students starting college this month will experience college life in a very different way.; they are likely to be part of a 'bubble' and will therefore not have access to social interactions with other students from other courses; their course is now likely to combine online and face to face delivery and they may only be physically in college for short spaces of time. The impacts these measures will have on retention and achievement is unknown.

Warwickshire College Group*

The Warwickshire College Group provides further and higher education across 10 colleges/sites in the West Midlands, in addition a wider apprenticeship, traineeship and Prince's Trust programme that extends across the Midlands at employers and community venues. They reported the following trends:

- Apprentice numbers significantly reducing.
- Exams fiasco affecting young people and next steps in terms of their progression, including students awarded higher grades than they would have received if they sat an exam which could lead to issues if they can't cope with the demands of the course.
- Adult fee paying courses look to be reducing.
- Student number cap/ lifting of cap in HE creating uncertainty.

Concerns

1. Apprenticeship recruitment looks lower plus apprentices are being made redundant.
2. Unemployment rising in visitor economy.
3. Schools not providing effective IAG in most instances.
4. 'Lost generation' implications e.g. graduates unable to gain jobs.

Potential Recovery Plans

Challenge is to retain infrastructure without any Government support.

Costs associated with health & safety for September restart are significant.

*Please note, these findings only covers one group of colleges and may not be entirely representative of the sector as a whole.

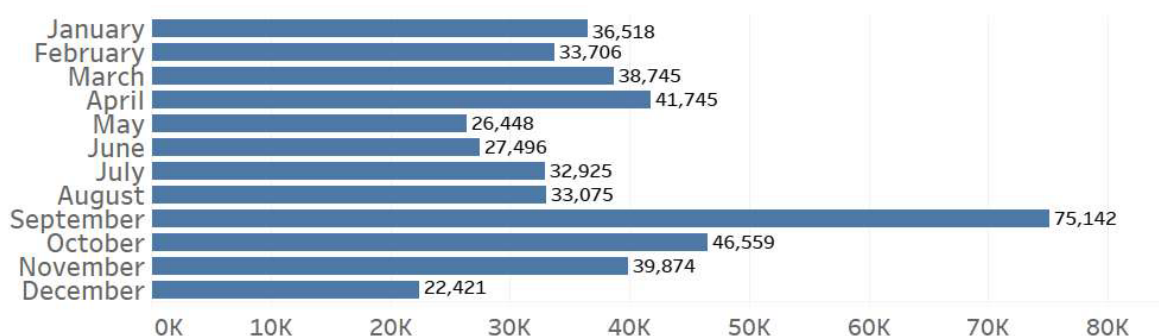
Impact of COVID-19 on Apprenticeships

The latest full year data for 2018/19 shows there were a total of 78,700 apprenticeship starts in the Midlands Engine, this is a increase of 5.8% (+4,290) apprenticeships from 2017/18, which is above the national increase of 4.7%. Of the 78,700 apprenticeships as seen in the following graph, 29,400 of these were at Intermediate, 35,390 Advanced and 13,910 Higher Level.

COVID-19 Impact on Apprenticeship Supply Trends

Monthly fluctuations (as seen in the graph below), based on average England-wide apprenticeship starts from 2014/15 to 2018/19 indicate that more apprentices are recruited through September and October than in other months. This presents the risk that if recruitment remains muted in the next few months, we will see a very sharp year-on-year decline.

The pattern of decline in apprenticeship starts is apparent since the introduction of the Apprenticeship Levy. A partial recovery can be seen in 2018/19 before the onset of the pandemic, with 78,700 apprenticeship starts, up from 74,410 in 2017/18.



Quarter 3 2019/20

The latest available apprenticeship data comprises the first three quarters of this academic year (August 2019 – April 2020). Around a third as many apprentices were recruited in January-April 2020 than in the prior two quarters. Separate data for the first two quarters of this academic year (August 2019 – January 2020) is not available, the decrease indicates a sharp decline in recruitment across the areas, comparable to England. This decline occurred across apprenticeship levels, major subject categories, and age groups.

Period	Midlands Engine	England
2016/17	104,080	485,600
2017/18	74,410	375,800
2018/19	78,700	393,380
Q1/2 2019/20	38,610	198,630
Q3 2019/20	14,070	73,260

Currently, there is a total of 52,680 apprenticeship starts between Quarter 1 to Quarter 3, to reach the 2018/19 figure of 78,700 requires 26,020 apprenticeship starts in the final quarter.

Implications for Equity

Research by the Sutton Trust suggested that the Coronavirus crisis may lead to apprenticeships being more concentrated in larger firms that are better able to retain their apprentices and continue to recruit. This may have a geographical effect in making opportunities less available across the region. Those from more deprived areas were also more impacted by the decline in apprenticeship numbers in previous years, according to this research, with a fall of **36%** versus **23%** for more privileged apprentices.

Local LEP Intelligence:

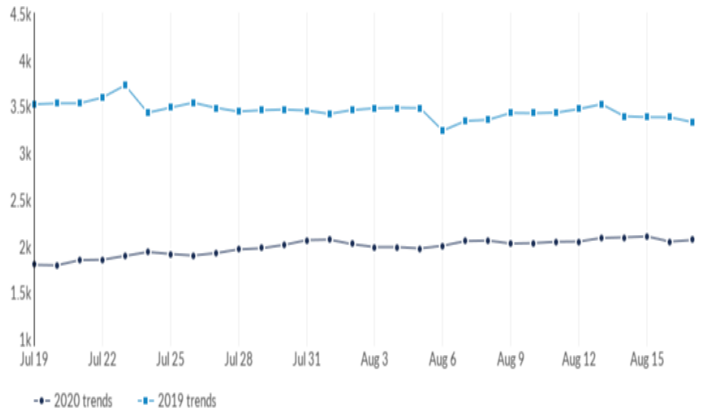
There is already a steep decline in apprenticeship starts compared to 2019 – if this continues then fewer apprenticeship places will be available for those wishing to follow that route, shutting off a route to employment for many young people.

Apprenticeship Job Postings

There were a total of 10,546 apprenticeship job postings across the Midlands Engine area in July 2020 compared to 11,602 in June and 17,011 in July 2019.

- Of the total apprenticeship postings in July 2020, 2,985 were unique vacancies. This is up 2.8% from the previous month but down -44.3% compared to the same period last year.
- There is a Posting Intensity of 4-to-1, meaning that for every 4 postings there is 1 unique job posting. This is lower than the Posting Intensity for all other occupations in the region (7-to-1), indicating weaker demand from employers for apprenticeships.

The graph below shows the most recent 30 days of unique job postings for apprenticeships (for near term trend) and compares to the same period in 2019



- The near-term trend shows that the number of apprenticeship job postings continues to lag behind the same comparable period in 2019.
- However, there is a noticeable narrowing of the gap. Between 19 July and 17 August 2020, the number of unique job postings increased by 10.9 percentage points, or in real-terms 267 unique apprenticeship postings to 2,061.

The table below identifies the Top 10 most posted apprenticeship occupations in July 2020:

Top Posted Occupations

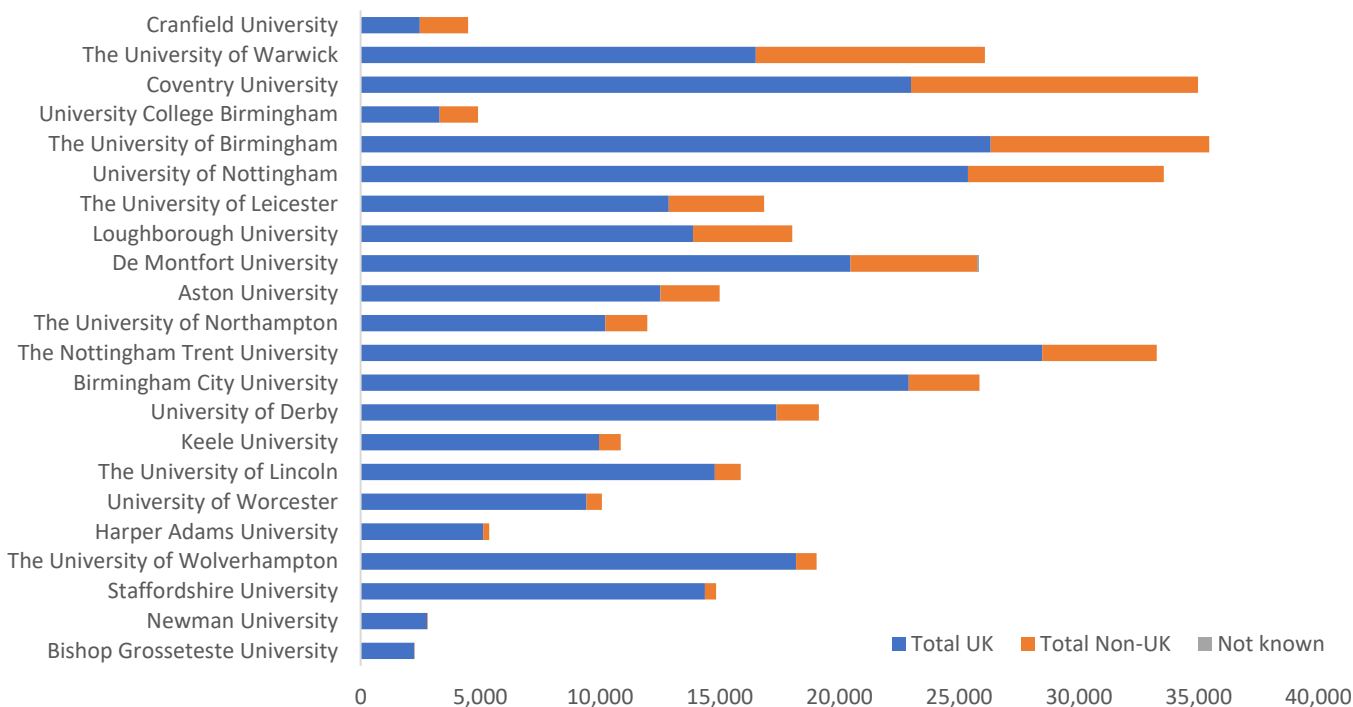
Occupation (SOC)	Total/Unique (Jul 2020)	Posting Intensity	Median Posting Duration
Other administrative occupations n.e.c.	1,109 / 419	3 : 1	31 days
Managers and directors in storage and warehousing	846 / 185	5 : 1	60 days
Nursery nurses and assistants	543 / 177	3 : 1	98 days
Engineering technicians	332 / 129	3 : 1	42 days
Science, engineering and production technicians n.e.c.	508 / 126	4 : 1	46 days
Hairdressers and barbers	257 / 105	2 : 1	129 days
Chefs	909 / 98	9 : 1	99 days
Teaching assistants	178 / 88	2 : 1	17 days
Vocational and industrial trainers and instructors	477 / 79	6 : 1	125 days
Human resources administrative occupations	176 / 69	3 : 1	27 days

- Notably, the posting intensity for apprentice 'Chefs' was not only more than twice the average for apprenticeships in general (4-to-1), but also above the average posting intensity for all occupations (7-to-1) implying heightened demand.

Impact of COVID-19 on Higher Education Institutions

There are seven universities that form **Midland Enterprise Universities (MEU)** which includes Birmingham City University, University of Derby, Nottingham Trent University, De Montfort University, Coventry University, University of Wolverhampton and University of Lincoln and there is also **Midlands Innovation Universities** which include Aston University, University of Birmingham, Cranfield University, Keele University, University of Leicester, Loughborough University, University of Nottingham, and University of Warwick. There are also a further seven universities across the Midlands Engine geography.

Higher Education Statistics Authority (HESA) data indicates that in the 2018/19 academic year there were **386,515** student enrolments in the 22 universities. Of which **312,555 (80.9%)** were UK domiciled and **73,910 (19.1%)** were non UK domiciled. These were distributed across the universities as follows, with the orange in each bar representing the share of students of non-UK domicile (i.e. international students):



This indicates a real challenge for student recruitment, particularly for Cranfield University (where 45.1% of enrolments were from non-UK domiciled applicants) Warwick University (36.7%), Coventry University (34.3%), University College Birmingham (32.6%) and the University of Birmingham (25.7%) as international students made up over a quarter of enrolments in the last academic year. A potential steep loss in recruitment of international students may seriously affect the amount of money brought into the local economy, impeding the recovery of businesses in these areas. Universities may also be vulnerable to a loss of domestic students if the online tuition in the next academic year is less attractive, or may have lose revenue if lower fees for online content are either imposed or become necessary.

[In terms of international recruitment there is a mixed outlook](#) - The British Council is anticipating £463million black hole due to the loss of international fee income. Vice chancellors are warning of a fall in international students of between 30% and 50%. International deferrals are on the up. Yet UCAS statistics indicate the UK non-EU student acceptances are up 2% and up 14% for Chinese students.

Whilst international students may have accepted offers, they may not as yet have paid deposits. British Council data shows that Chinese students are less likely to take up their overseas places than some other countries e.g. India and Pakistan. There are possible delays at UK Visas & Immigration, which means students willing and able to get to the UK for their studies are falling at the last hurdle. It may mean a widespread offer of winter start dates. Universities across the ME are flexing their offer to support the changing environment e.g. Coventry University are offering this year's intake maximum flexibility in how they study (online, off-line and blended) and they have extensive experience admitting international students in January. This report suggests that accepting both domestic and international students in January in all institutions will also allow for greater integration of students.

Source: HE student enrolments by HE provider and domicile

Impact of COVID-19 on Higher Education Institutions

The following insight is from a range of universities across the Midlands Engine area.

There has been strong interest and applications from international students but a lower number of actual starts anticipated. For home Undergraduate students, there is still some movement in the sector yet to settle down. For Postgraduate students, particularly on taught courses universities are seeing an increase in applications due to difficult job market.

Careers and Placements - Impact of COVID-19

- **Significant impact on 2020/21 placement outputs due to decrease in availability of opportunities.**
- **2020 Graduates Under and post graduates most acutely affected in graduate labour market**
- **Alumni – affected by redundancy, furlough, very mindful of the need to support not only the class of 2020**
- **All students – decrease in part-time opportunities and greater competition.** The collapse in employment in retail and services is likely to affect term-time jobs for students in the future and thus the ability for students from less advantaged backgrounds to support themselves at university.
- The graduate labour market has suffered significant damage, particularly in the arts - but things are far **worse for non-graduates**. Many key graduate employment sectors (in health, social care, IT, business services) have been much less affected than many other areas of the economy.
- **Lower availability of opportunities for all students groups.**
- Restricted international mobility for students and graduates
- Extract from a report from the ACGAS EM Careers (July 2020) claims that the biggest problem we have is the match of graduates to jobs rather than categorically not producing the skills needed. Graduates don't perceive certain job opportunities or sectors to be relevant because they focus on linear patterns linking their course to specific jobs in specific industries. There is a real knowledge gap here. **Both employers and students/graduates need to look far more flexibly at transferable skills between sectors and the business benefits to be gained from bringing in new recruits with diverse knowledge and skillsets.**

- Data from the [Institute of Student Employment](#) nationally shows that **employers have focused on preserving their planned graduate intake where possible and have disinvested in placements to prioritise graduate jobs.**
- Lower remuneration, higher employer expectations
- More competition
- **Retention of graduates to fill managerial roles** is also a key issue highlighted by at least both Leicestershire and Nottinghamshire. Managerial was one of the key areas that was highlighted as an issue for employers which means that they are not succession planning enough in their own business to enable effective internal promotions.”

Careers and Placements - Impact of COVID-19 – University Response

- Continue to deliver operational employability services to maximise skills development for current students and recent graduates and ensure they are ready for the graduate marketplace.
- Offering a wider flexible placement model to mitigate reduction in opportunities and ensure exposure to essential work experience (particularly where the placement year is compulsory)
- Re-purposing funds to support virtual micro-placements in community organisations
- Continue to source opportunities and build employer relationships
- Access to Careers Online – Content rich career development platform Inc. vacancies, CV simulator, video coaching etc.
- Providing online careers consultancy and CEIAG for graduates, digital resource for graduates on how to find graduate work in towns, digital resource for employers on how to engage graduate talent e.g. Towns initiative in Staffordshire
- Regional graduate development programme – offering bursaries to companies taking on graduates
- Added flexibility in placement programme offer
- Projects such as Higher-Level Skills Match (HLSM) supporting skills within West Midlands based SMEs and Graduate ReTune supporting unemployed graduates eligible for Universal Credit in GBSLEP.

Impact of COVID-19 on Higher Education Institutions

Apprenticeship - Impact of COVID-19

- There has been some growth in SME involvement in apprenticeships as a result of the expansion of the offer to SMEs via the DAS: however, this process is proving administratively challenging for the university and for the SMEs. Increased use of online and blended delivery may make apprenticeship programmes more attractive to time-poor SME staff.
- **Recruitment** is variable, but overall, fairly strong given the circumstances. Recruitment is more an issue of sectors than individual employers. Nursing is looking very strong, for example, as is CMDA in anticipation of changes - there is increased interest around the SLMDA, pre-emptive of standard changes rather than COVID-19. Expansion of the offer to SMEs via the DAS has supported growth in this area also. In other areas there is less confidence and a wariness of making decisions for the long-term given the ongoing uncertainty and the need to rebuild business after the lockdown. Architect firms have seen considerable impact, including redundancies, and pauses on recruitment.
- Some large organisations are still committed to training at this level and are keen for a new cohort to start in October because the skills are needed. However, others (and they are still large, blue chip companies) are not able to put apprentices forward for the next academic year due to internal cost cutting. The main issue appears to be the government requirement for them to provide 20% off the job training and in their words, they need “all hands-on deck”. Where companies have a blanket ban on training, this extends to apprenticeships, even though it is covered by the levy.
- Some apprentices have been furloughed or made redundant. This has resulted in extra work to ensure that the work-based elements are met to support completion of projects, assignments, etc. Apprentices are very concerned and worried about their future and the successful completion of the apprenticeship.
- Many apprentices who were **furloughed** are now back at work but universities have concerns about how some businesses may be seeking to make redundancies and the potential impact on apprentices; The start of Apprentices being made redundant is now being seen particularly prevalent in the construction sector (reducing workforce, managing cashflow and part of their recovery plans).

- **Greater flexibility for employers and apprentices in how they are able to use their levy**, allow for breaks in learning and extended time to complete is required.
- Some employers are requesting a **lengthy break in learning**, more than when in peak lockdown. These are largely a result of fatigue, overwork and workplace challenges as a result of said high peak. Concern is the likelihood of these becoming permanent withdrawals, as apprentices struggle with exhaustion, workplace stresses, less supportive employers, redundancy and personal circumstances.
- There has been a very significant retraction of activity in non-apprenticeship skills training for business across all sectors as a result of the pandemic. At this stage it is difficult to predict when and how strongly demand for this activity will return: this will impact skills and competitiveness going forward.
- Incentive payments for employers have generated interest for a few new organisations, but these are very much only initial explorations at this stage. Incentive payments have not impacted a significant percentage of organisations universities have engaged with.

Apprenticeship - University response to support

- All delivery has been moved to **online platforms** whilst trying to meet the expectation of both employers and apprentices. Universities have kept up to date with what is happening in each employer with regards to how they are dealing with COVID-19 so that they can ensure there is conflict. Sat examinations have been moved to on line exams and 24 takeaway papers.
- While there are plans for a phased return to campus for full time students, apprenticeship delivery and other CPD provision is planned to remain online for at least the remainder of 2020, there is a need to balance our operational plans with the policies and concerns of our business stakeholders.

University response to SME support

Universities across the region have responded rapidly to some skills shortages, and changed skills needs articulated by businesses. Examples of some of these initiatives are included in the Appendix

Impact of COVID-19 on the Labour Market

Regional Labour Market

The employment rate for the three months ending June 2020 was 75.0% for the West Midlands Region and 77.3% for the East Midlands Region. This has increased by 0.1 percentage points (pp) in the West Midlands and decreased by 0.9pp in the East Midlands when compared to January to March 2020. The overall, UK employment rate was 76.4%, decreasing by 0.2pp since January to March 2020.

The unemployment rate for the three months ending June 2020 was 4.4% for the West Midlands region and 4.3% for the East Midlands region. This has decreased by 0.6pp in the West Midlands and increased by 0.6pp in the East Midlands when compared to January to March 2020. The overall, UK unemployment rate was 3.9%, remaining the same since the previous quarter.

The economic inactivity rate for the three months ending June 2020 was 21.4% for the West Midlands Region and 19.1% for the East Midlands Region. This has increased by 0.4 pp for both the West Midlands and East Midlands when compared to January to March 2020. The overall UK economic inactivity rate was 20.4%, increasing by 0.2pp when compared to the previous quarter.

A summary of the latest headline estimates for Regions of the UK, seasonally adjusted, April to June 2020:

	Employment rate (%) aged 16 to 64 years	Change on January to March 2020 (pp)	Unemployment rate (%) aged 16 years and over	Change on January to March 2020 (pp)	Inactivity rate (%) aged 16 to 64 years	Change on January to March 2020 (pp)
UK	76.4	-0.2	3.9	0.0	20.4	0.2
Great Britain	76.6	-0.2	3.9	0.0	20.2	0.2
England	76.9	-0.2	4.0	0.0	19.9	0.2
North East	74.3	1.4	5.2	-0.2	21.8	-1.1
North West	76.2	0.0	3.5	-0.5	21.0	0.4
Yorkshire and The Humber	74.4	0.5	3.8	-0.5	22.6	-0.1
East Midlands	77.3	-0.9	4.3	0.6	19.1	0.4
West Midlands	75.0	0.1	4.4	-0.6	21.4	0.4
East	77.9	-0.2	3.8	0.1	18.9	0.0
London	76.5	-0.4	4.6	0.0	19.7	0.3
South East	79.7	-0.4	3.3	0.3	17.5	0.2
South West	78.1	-1.1	3.6	0.5	18.9	0.6
Wales	75.3	1.0	2.7	-0.5	22.6	-0.6
Scotland	74.3	-0.4	4.5	0.4	22.2	0.1
Northern Ireland	71.7	-0.7	2.5	0.1	26.4	0.6

Workforce Jobs

The West Midlands Region had 2.9m workforce jobs in March 2020, which is a decrease of nearly 32,000 from March 2019 and a decrease of 20,000 from December 2019. The East Midlands Region had nearly 2.5m workforce jobs in March 2020, an increase of nearly 58,000 when compared to March 2019 and 24,000 more than the last quarter.

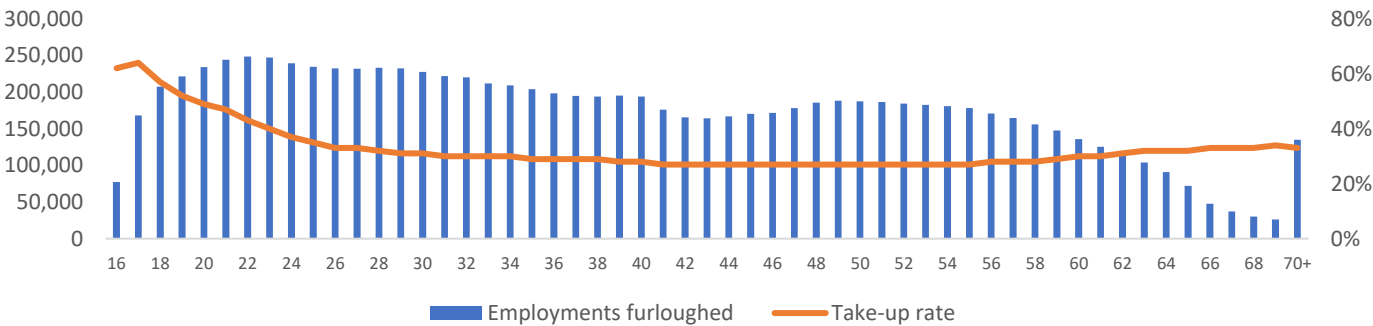
Local LEP Intelligence - Recruitment

- In terms of recruitment, some companies starting to consider recruitment campaigns & planning to employ staff in a few months time.
 - A survey conducted by D2N2 LEP amongst businesses in the local area showed that 56% had plans for recruitment in the next 6 months – of which, 52% were apprenticeships, 19% experienced, 19% other and 10% graduate.
 - Sectors which appear to be increasing requirements this week are skilled warehouse position, and also been an increase in demand for IT and digital sector, with these roles being predominately contract based
- In Worcestershire through the Here to Help initiative being run by the County Council, there is support for companies to hire a graduate and will fund this up to £10,000 per annum and roughly half of the salary

Older Workers and the COVID-19 Crisis

Much of the policy response in the wake of COVID-19 has focused on the plight of young people. This is appropriate given the disproportionate hit they faced with the shutdown of specific sectors where they are concentrated (such as hospitality), their consequent particularly high rate of furlough and the implications of longer-term scarring of difficult transitions from education to employment.

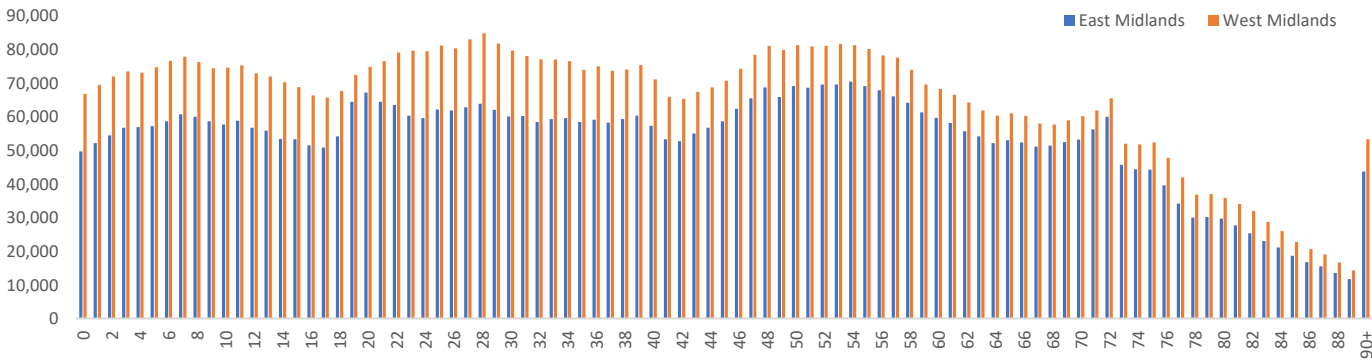
The diagram below based on data from the HMRC on claims received up to 31 July on the Coronavirus Job Retention Scheme shows at national level the number of employments furloughed by single year of age and the take-up rate (i.e. employments furloughed as a percentage of eligible employments). It is clear that in both absolute terms and the take-up rate young people aged under 25 years have been particularly hard hit.



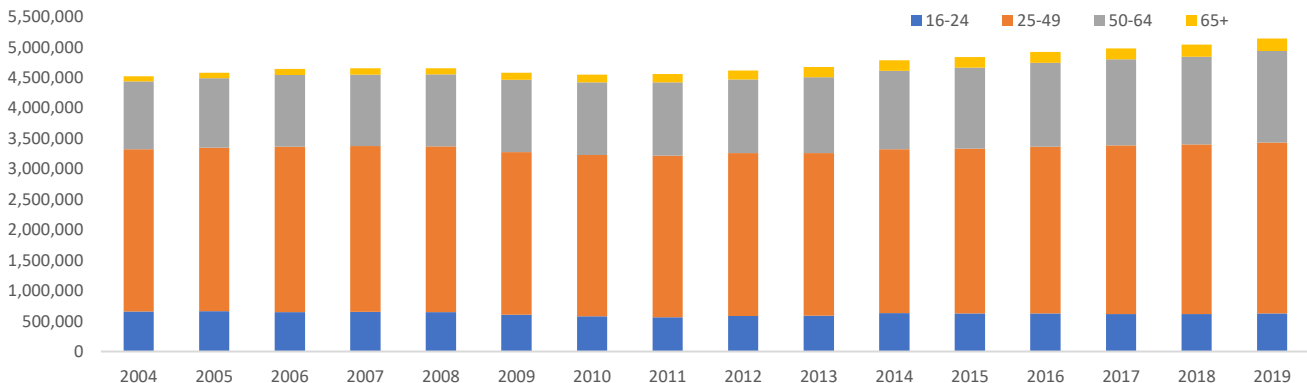
The take-up rate is lowest at 27% for individuals aged between 41 and 55 years. The take-up rate increases from the age of 55 years and rises to over 30% for those aged 60 years and over.

The increase in older workers

The older workers highlighted above were entering the labour market in the early 1980s recession. They are part of a **large cohort** as demonstrated in the chart below showing the age structure of the population in the Midlands based on 2019 data from the ONS Mid Year estimates of population. Across the Midlands there are relatively large numbers of people in their fifties and early sixties is evident. (By contrast, current school leavers are part of a small cohort).

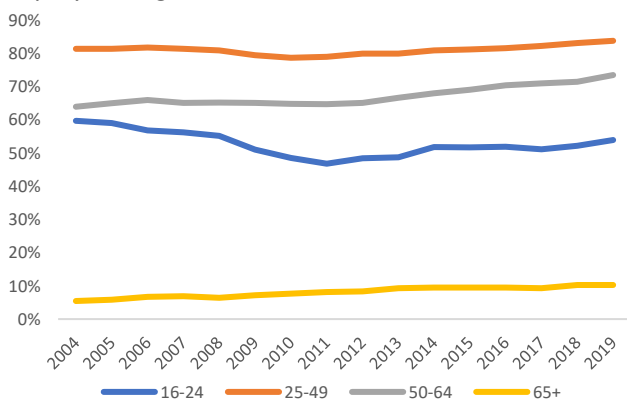


In recent years the number of older workers has risen to historically high levels, as shown in the chart below showing Annual Population Survey data on the broad age profile of people in employment in the Midlands.



Older Workers and the COVID-19 Crisis

Whereas the employment rate for 16-24 year olds in the Midlands at 53.9% in 2019 remains lower than rates before the Great Recession, the chart below using Annual Population Survey data shows a steady increase of nearly 10 percentage points in the employment rate of 50-64 year olds since the Great Recession. The employment rate for those aged 65 years and over has also risen substantially, albeit employment rates for younger and older workers remain lower than for those aged 25-49 years. However, national analysis shows that people aged over 55 years represented more than half of the employment growth in the decade to 2018.



National analysis shows that people aged over 55 years represented more than half of the employment growth in the decade to 2018. People aged 50 years and over accounted for three-quarters of the increase in employment over the period from 2004 to 2019. The statistics presented above show that this is a function of both population ageing (i.e. compositional change) and an increase in employment rates in the older age groups (i.e. behavioural change).

Do older workers merit special attention in the COVID-19 crisis?

All age groups face labour market challenges in the face of the Covid-19 crisis, with increases in the number of benefit claims and risks of further redundancies. However, older workers face a number of issues that they may merit special attention.

First, a recent [report](#) by the Learning and Work Institute for the Centre for Ageing Better highlights that older workers becoming unemployed face a greater than average risk of long-term unemployment. They are twice as likely to be out of work for 12 months or more as younger workers and almost 50% more likely as workers aged 25 to 49 years.

Second, older workers are less likely to return to work following redundancy than younger workers. 35% of people aged 50+ returned to work after losing their job, compared to half (54%) of 35 to 49-year olds, and two out of three of 25 to 34 year olds (63%).

Third, statistics on adult learning in the UK show that older people are less likely than young people to participate in training. [Nesta](#) analysis highlights that 39% of those aged 55-64 years participate in adult learning compared with just over 60% of those aged 25-34 years. This means that older people may face particular challenges of upskilling if they need to change sectors/ take on new job roles.

Fourth, [Nesta](#) suggests that the fact that (in aggregate) older workers are less digitally aware and confident than younger workers makes it more difficult for them to transition to remote working (where that is a possibility). This is particularly the case for those in lower socio-economic groups where use of the internet is lowest.

Fifth, there is evidence that older people perceive ageism/ employer stereotypes as a major barrier to employment. [Recent evidence](#) suggests that the greater health risk of Covid-19 for older people is thought to further exacerbate negative stereotypes.

Sixth, the developments above coupled with rises in the state pension ages place financial pressures on some older people, perhaps leading to pensioner poverty. The Covid-19 crisis means that these challenges are difficult to address through longer working lives. Rather increased numbers of older people [may be forced into early retirement and/or have to forego a gradual retirement](#).

Conclusions and policy implications

While older workers have not been furloughed to the same extent as younger workers and have not been the focus of policy to the same degree, once they are out of work they tend to face particular challenges once out of work in transitioning back into employment. The evidence suggests that while a focus on young people is appropriate – especially so in the West Midlands metropolitan area given its younger than average population – this should not be at the expense of taking account of addressing the long-term unemployment, access to training to facilitate job changing and digital skills challenges faced by some older workers negatively impacted by the Covid-19 crisis.

Furloughed Workers

On 21st August 2020, the third publication of the official Coronavirus Job Retention Scheme Statistics was released. The release includes analysis of claims for the period up to the 30th June – the final date of the CJRS. The release also includes claims that were submitted to HMRC by 31st July (permissible for the period to 30th June 2020).

Across the Midlands Engine, there were 1,486,900 workers furloughed over the duration of the Coronavirus Job Retention Scheme, when compared to the second release in July this has increased by 5.9% (+82,800) while for the UK the increase was 2.4%.

The Midlands Engine had 4,549,900 eligible workers, of these 1,486,900 workers have been furloughed which is a take up rate of 33% which is above the UK average of 32%.

The number of workers furloughed vary across the Midlands Engine parliamentary constituencies, with 20,200 workers furloughed in Leicester East, to 11,100 in Great Grimsby and Staffordshire Moorlands.

Regional Furloughed Workers per Sector

Overall, for the Regional Midlands Engine geography, 1,563,100 people have been furloughed which is approximately 33% of those eligible for the scheme.

Across the Regional Midlands Engine geography, the highest sector for the number of workers furloughed was in retail sector at 324,300 at 20.7%, which is below the national average of 21.0%. The two next highest sectors for furloughed workers in Regional Midlands Engine geography was business, professional and financial services at 314,200 (20.1% compared to 23.5%) nationally and visitor economy at 294,300 (18.8% compared to 18.5% nationally).

The following table shows the proportion of workers furloughed for the Regional Midlands Engine and England:

	ME Number of Workers Furloughed	% of ME Furloughed	% of England Furloughed	Number of ME Eligible Workers	ME Furloughed Workers as % Eligible Per Sector
Advanced Manufacturing	278,100	17.8%	11.5%	604,800	46.0%
Transport Technologies and Logistics	72,500	4.6%	4.7%	247,000	29.4%
Life Sciences and Healthcare	64,500	4.1%	4.7%	647,500	10.0%
Low Carbon and Environmental Technologies	12,000	0.8%	0.7%	57,600	20.8%
Business, Professional & Financial Services	314,200	20.1%	23.5%	1,002,400	31.3%
Digital & Creative	29,100	1.9%	2.6%	137,400	21.2%
Construction	110,500	7.1%	8.0%	192,300	57.5%
Retail	324,300	20.7%	21.0%	772,800	42.0%
Public Sector Inc. Education	54,700	3.5%	4.1%	712,400	7.7%
Visitor Economy	294,300	18.8%	18.5%	389,300	75.6%
Other	9,000	0.6%	0.6%	23,000	39.1%
Total	1,563,100	100%	100%	4,786,500	32.7%

Local LEP Intelligence - Redundancies

- More redundancies have been announced and as the furlough scheme continues to wind down, there are calls for broader measures from the government to re-stimulate the economy, boost business confidence and demand to stem the flow of jobs losses.
- Feeling across businesses in all sectors is that likely more redundancies in next 3 months, especially once furlough scheme ends and would welcome any assistance from a central point, rather than them searching across different partners.
- The potential for redundancies taking place is a very real prospect and in some cases is already happening. In one case staff from a customer service operation re-trained via SERCO and are now working in the care sector, others have also used some of the schemes on offer to re-train as fork-lift drivers.

Self-Employment Income Support Scheme

Across the Midlands Engine area, there were 449,200 of the population eligible for the Self-Employment Income Support Scheme (SEISS) at the end of July 2020, which is an increase of 200 people when compared to June 2020.

The number of claims made have increased from 337,300 in June to 344,000 claims in July. Which also means the value of claims have increased from £945,400,000 to £965,200,000 over the same period. Although the average claim of £2,900 remains the same. The take-up rate for the Midlands Engine has increased from 75% to 77%, which still matches the UK trend.

Regional Analysis

Claims by Age and Gender

At the Midlands Engine regional geography, there was an overall total potential eligible population of 481,000 for the SEISS at the end of July 2020, with a take up rate of 77% which is based on the total number of claims of 368,000. This can be split by gender and there was a total potentially eligible male population of 336,000 for the SEISS, which equates to a take-up rate of 79% at the end of July which is based on the total number of claims of 264,100. There were 145,000 eligible female population at the Regional Midlands Engine geography with a take-up rate of 71% based on the total number of claims of 103,100.

The highest take-up rate for the Regional Midlands Engine geography for males were those aged 35- 44 years old and 45-54 years old at 82%. While for females the highest take-up rate (excluding missing) were those aged 45-54 years old at 75%.

Claims by Broad Sector

Applying the broad sectors to the Midlands Engine ten sectors shows that In the regional Midlands Engine geography, the highest average claim made is in the construction sector at £5,350. The highest take-up rate is in construction and transport technologies and logistics at 83%.

The following table shows a breakdown by sector across the Regional Midlands Engine geography at the end of July 2020:

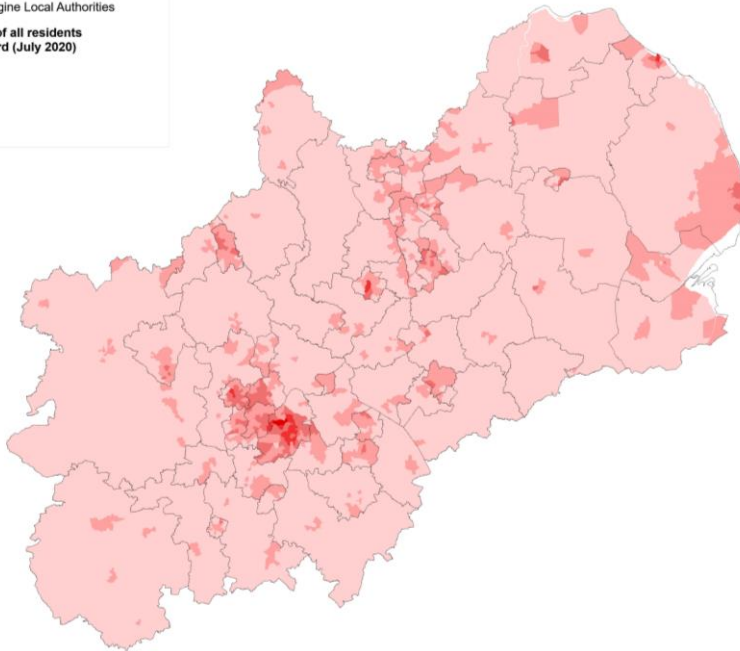
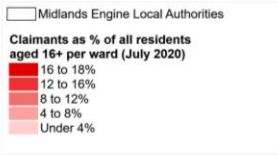
	Total potentially eligible pop.	Total no. of claims made to 31/7/20	Total value of claims made to 31/7/20 (£)	Average value of claims made to date (£)	Take-Up Rate
Advanced Manufacturing & Engineering	12,800	9,600	28,900,000	4,450	75%
Business, Professional & Financial Services	99,500	74,300	179,900,000	4,370	75%
Construction	151,000	124,700	441,900,000	5,350	83%
Visitor Economy	22,400	16,800	42,000,000	3,750	75%
Digital & Creative	4,300	2,700	8,400,000	4,600	63%
Low Carbon & Environmental Technologies	15,800	8,200	27,100,000	4,900	52%
Health	21,500	13,700	39,300,000	4,250	64%
Public Sector Inc. Education	17,200	13,800	32,400,000	3,850	80%
Retail	32,500	24,000	64,900,000	4,100	74%
Transport Technologies & Logistics	37,900	31,500	63,300,000	3,050	83%
Unknown/Other	66,000	47,500	114,800,000	3,700	72%
Total	481,000	368,000	1,042,000,000	4,300	77%

Take-up is based on total number of claims to date (excludes error and rejected cases) over total potentially eligible population (includes error and rejected cases).

Unemployment

In July 2020, there were 423,540 claimants aged 16 years and over in the Midlands Engine. This has increased by 11,987 claimants since June 2020 (+2.9%, UK 3.5%). There are 202,000 (+91.2%, UK +111.2%) more claimants when compared to March 2020. Also, there are 225,725 (+114.1%, UK +133.9%) more claimants when compared to July 2019.

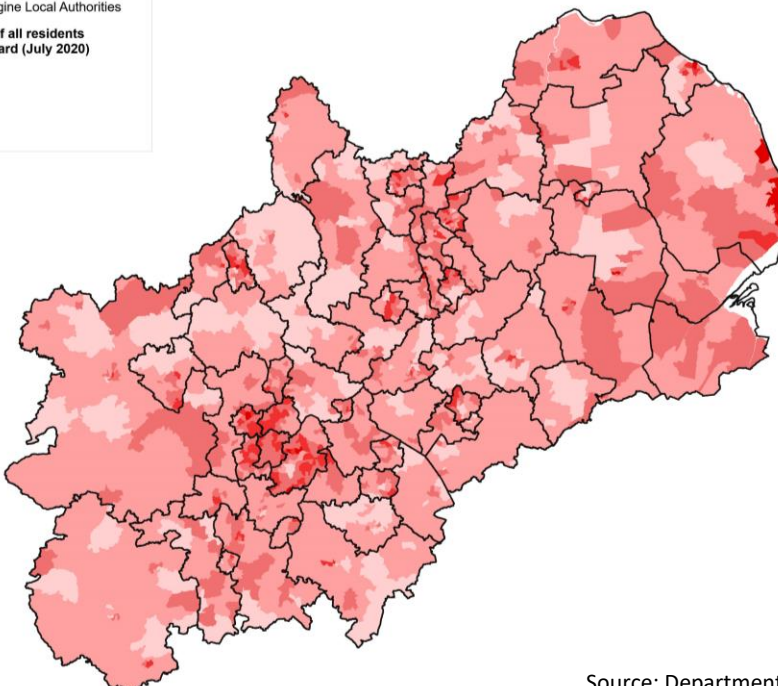
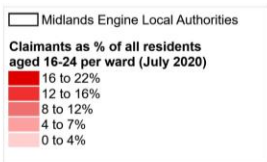
The number of claimants as a percentage of residents aged 16 years old over was 5.1% in July (UK 5.0%).



Out of the 1,527 wards within the Midlands Engine, 424 were at or above the UK average of 5.0% for the number of claimants as percentage of population – the top 3 were in Birmingham – Birchfield at 17.5%, followed by Lozells at 17.4% and Handsworth at 16.8%.

In July 2020, there were 88,225 claimants aged 16 -24 years old in the Midlands Engine. This has increased by 2,405 claimants since June 2020 (+2.8%, UK +3.9%). There are 40,030 (+99.6%, UK +122.4%) more youth claimants when compared to March 2020 and 49,025 (+125.1%, UK +146.9%) more youth claimants when compared to July 2019.

The number of claimants as a percentage of residents aged 16 – 24 years old was 7.6% in July (UK 7.5%).



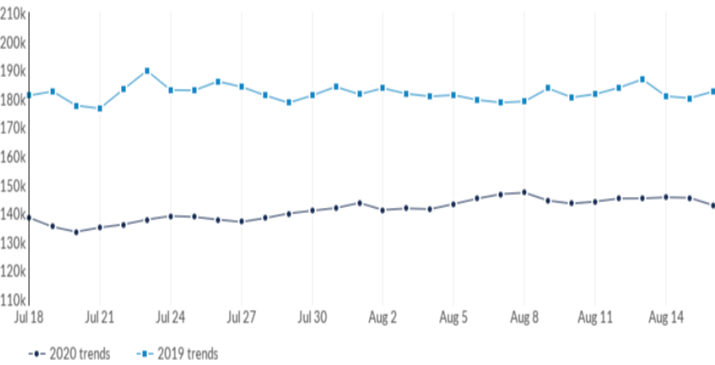
Out of the 1,527 wards within the Midlands Engine, 668 were at or above the UK average for the number of claimants as a proportion of the population aged 16 – 24 years old. At the highest end of the scale were wards in East Lindsey - Ingodmells at 21.7%, followed by Winthorpe at 20.8%.

Job Postings

There were 1.38m total job postings across the Midlands Engine area in July 2020 compared to 1.32m in June and 1.73m in July 2019.

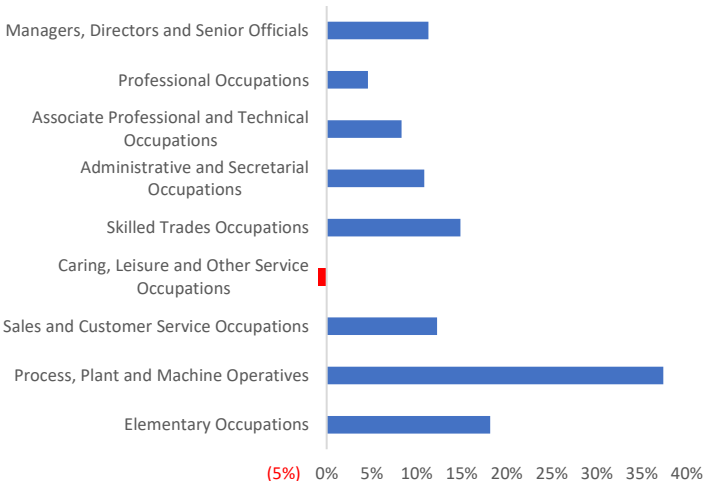
- Of the total postings in July 2020, 205,176 were unique postings. This is up 9.1% from the previous month but still down 5.3% compared to March 2020 (pre-pandemic) and a further 32.3% when compared to the same period last year.
- This is the third consecutive month that the number of unique postings has increased, and could potentially point to the start of the normalising of the job market.

The graph below shows the most recent 30 days of unique job postings across the Midlands Engine (for near term trend) and compares to 2019.



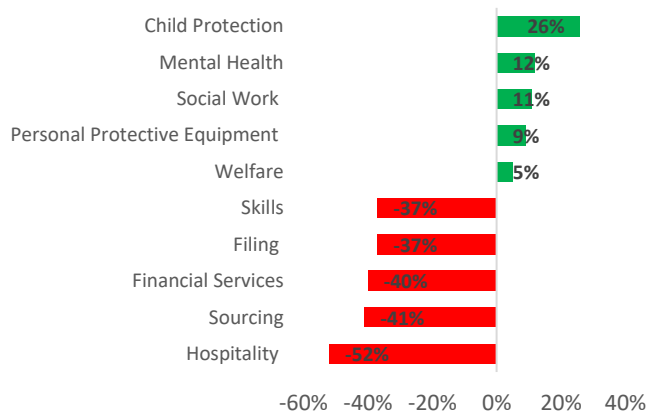
- The potential green shoots identified in the long-term monthly trend are also seen in the timelier 30-day moving average.
- The gap in the number of unique job postings between 18 July and 16 August 2020 fell by 2pp, with the number of unique postings increasing by 4,312.

The only major occupational group across the Midlands Engine region not to record a positive increase in job postings in the last 30 days was Caring, Leisure and Other Service Occupations.

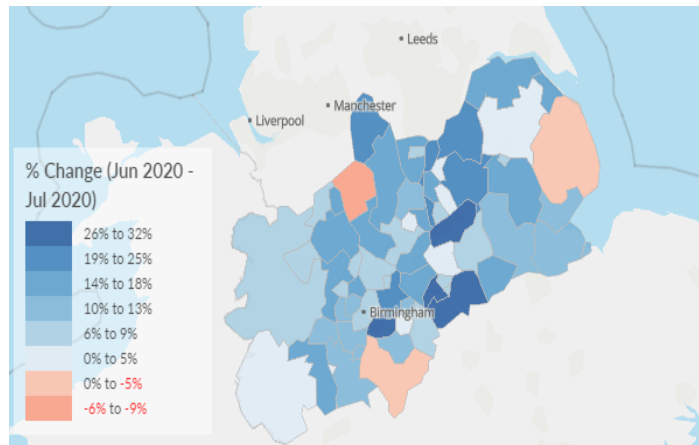


- Process, Plant and Machine Operatives recorded the biggest increase in July (+37%).
- The average Posting Intensity for all roles across the Midlands Engine in July was 7-to-1. This means that for every 7 postings there was 1 unique job posting, and indicates the effort put in recruiting for that position.
- The most sought-after job title when comparing the 30-day period up to 16th August with the 30 days prior to that was for HGV/Large Good Vehicle Drivers (total 26,887, unique 4,056), but the most effort was for Maintenance Engineers (Installation, Maintenance and Repair) at 13:1 posting intensity.

The graph below looks at change in demand for the Top 5 requested skills compared to the least requested skills since the onset of the pandemic in March 2020.



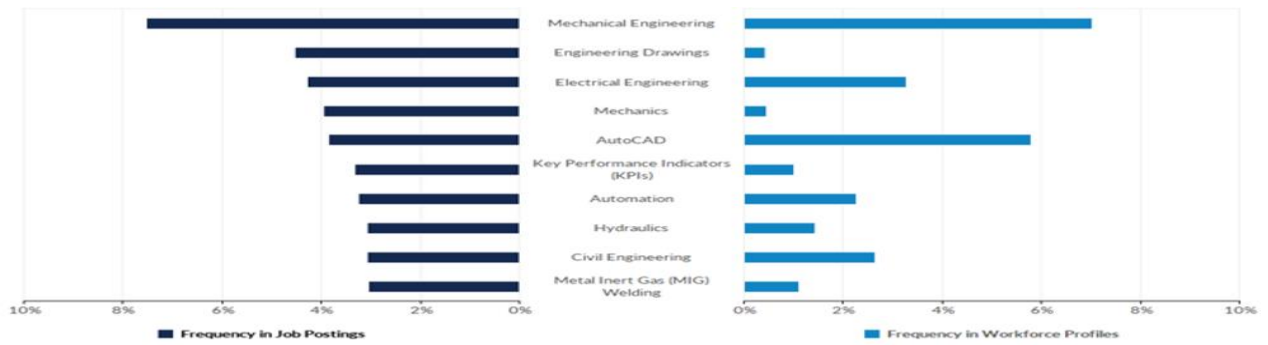
- Only three areas across the Midlands Engine region recorded a reduction in job postings in July 2020: Staffordshire Moorlands (-6%), East Lindsey (-3%) and Stratford-on-Avon (-2%).
- Conversely, the three local authority areas that recorded the highest increase in job postings were Rushcliffe (32%), Blaby (31%) and Solihull (28%).



Sector Skills Demand

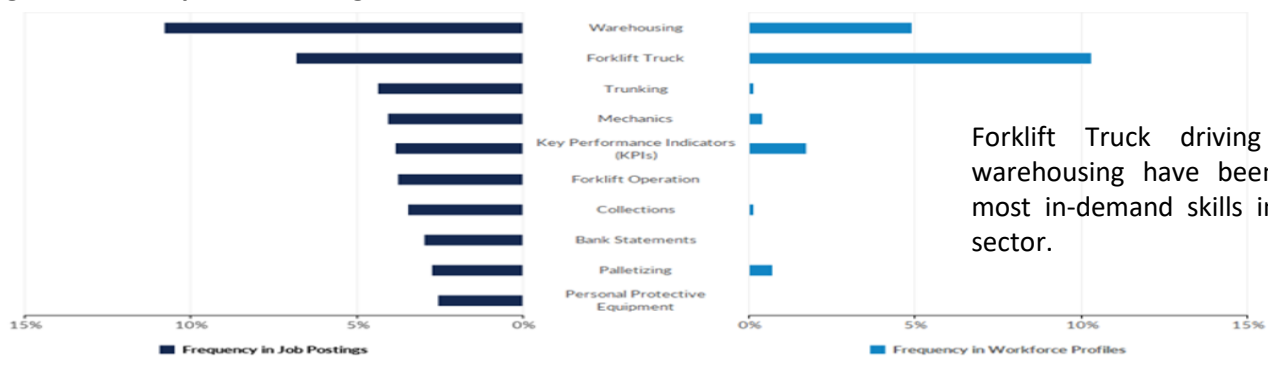
The following provides insight into the supply and demand of relevant skills, since (March 2020) by comparing the frequency of skills present in job postings against skills present in each sectors workforce.

Advanced Manufacturing and Engineering



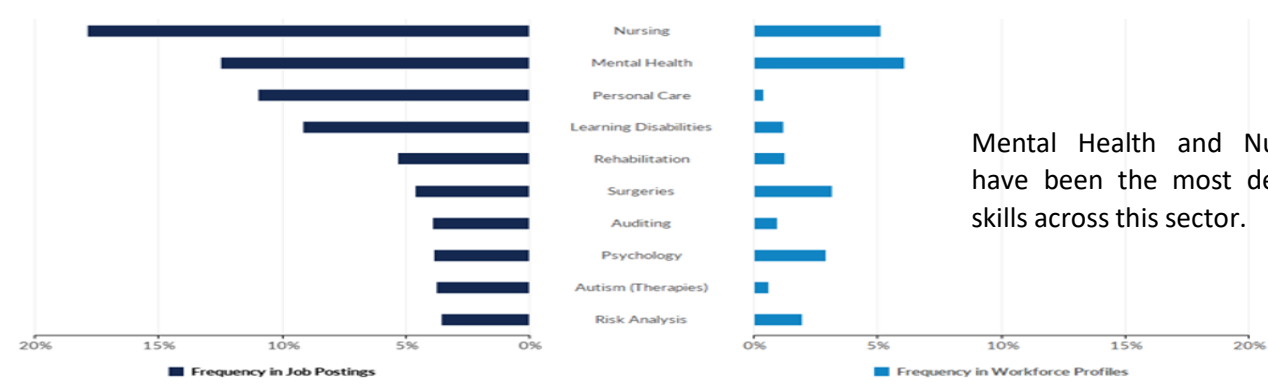
Mechanical Engineering, AutoCAD and Electrical Engineering were the skills most in demand for this sector. Notably, AutoCAD was above the usual workforce profile indicating a heightened demand for this skill.

Logistics & Transport Technologies



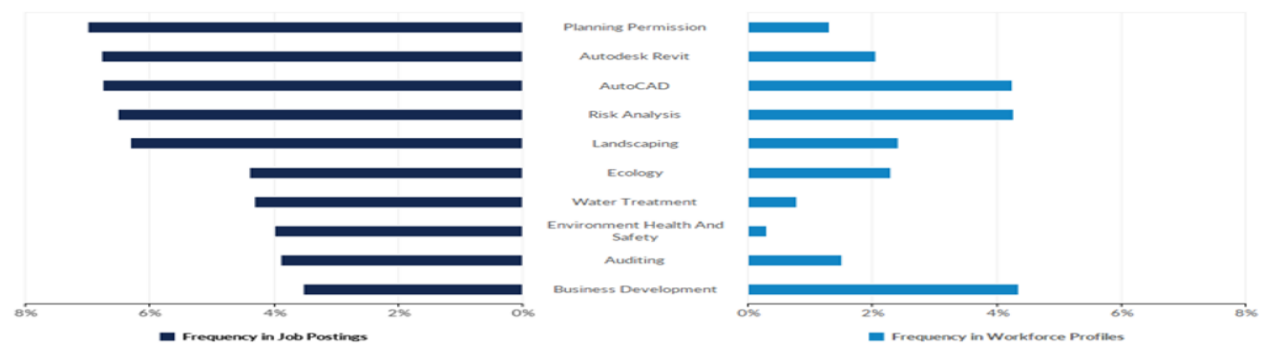
Forklift Truck driving and warehousing have been the most in-demand skills in this sector.

Life Sciences and Healthcare



Mental Health and Nursing have been the most desired skills across this sector.

Energy & Low Carbon Activities

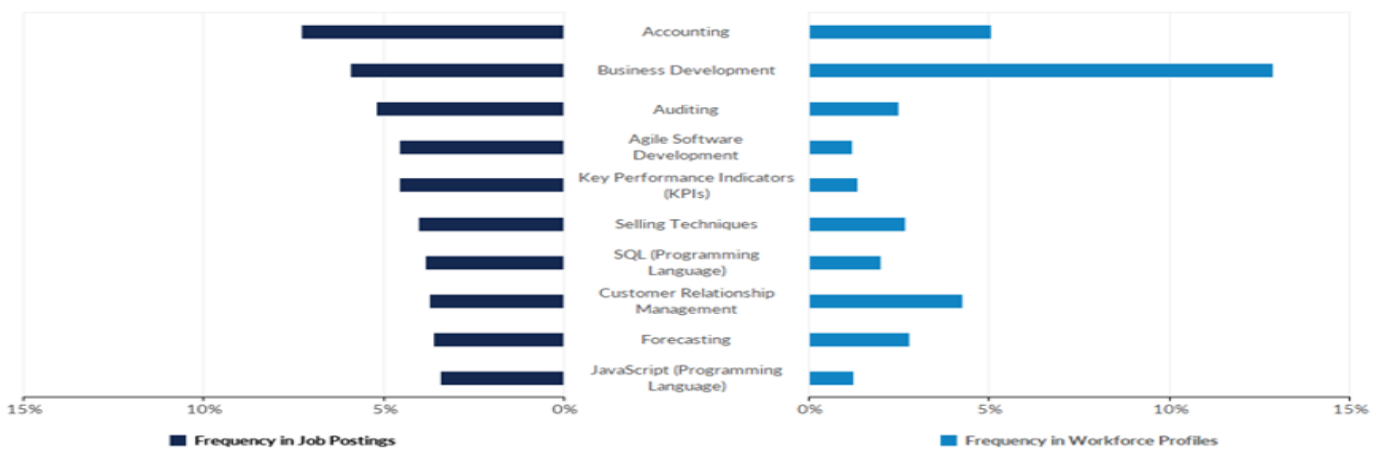


Business Development, Risk Analysis and AutoCAD (again) feature prominently in the most in-demand skills for this sector. Business Development is above the usual workforce profile.

Please note: The skills associated with workforce profiles represent workers of all education and experience levels.

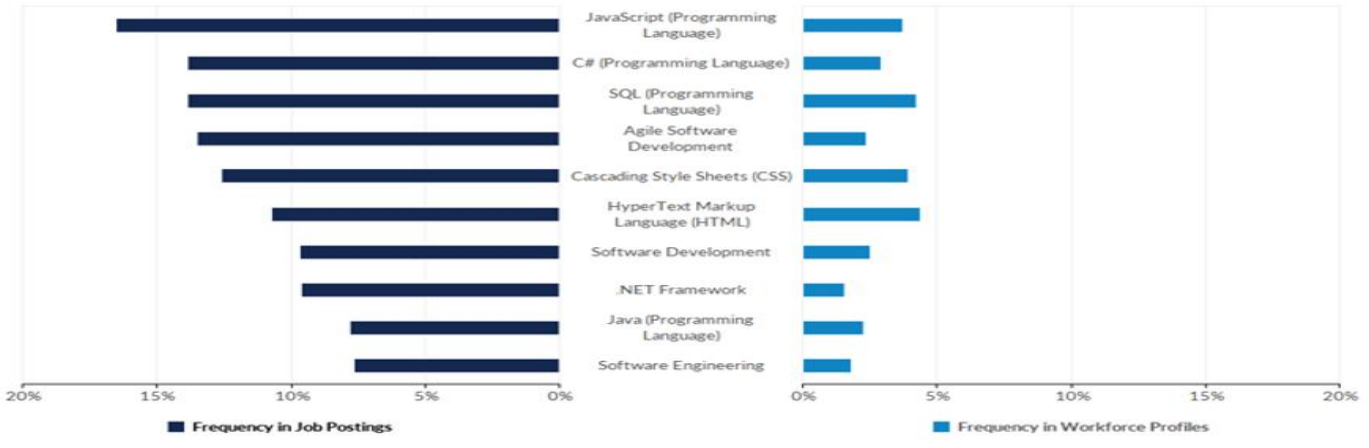
Sector Skills Demand

Business Professional and Financial Services



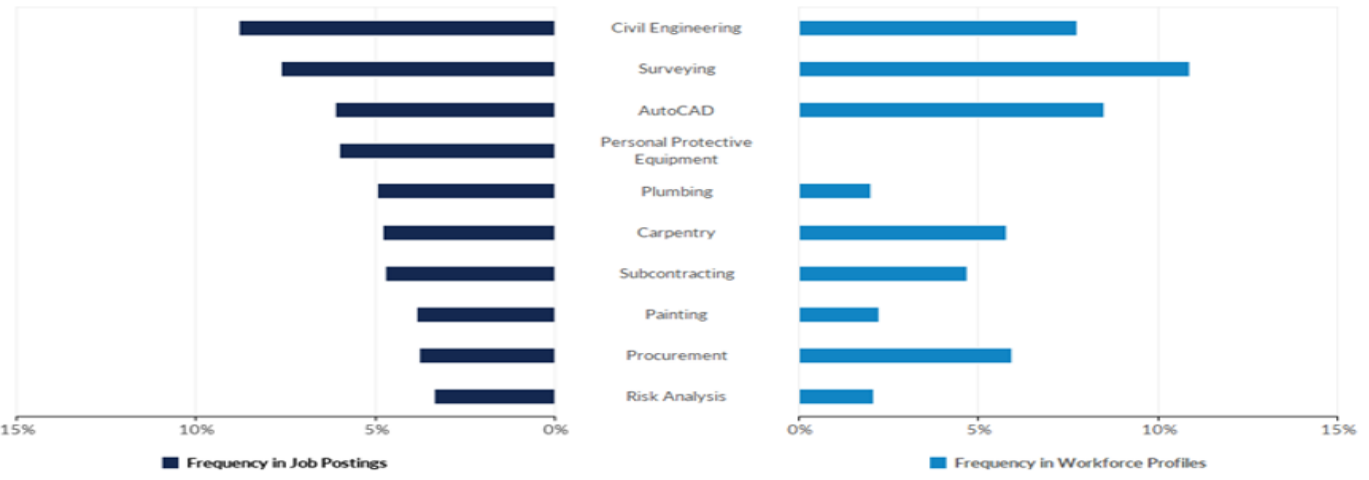
Business Development, Accounting and Customer Relationship Management are the most desired skills across business professional and financial services sector. Business Development again notably higher than the usual workforce profile and Customer Relationship Management both point to the skills business feel they will need to move forward in this sector.

Creative, Design and Digital



Programming and software developments are the key skills in-demand across this sector.

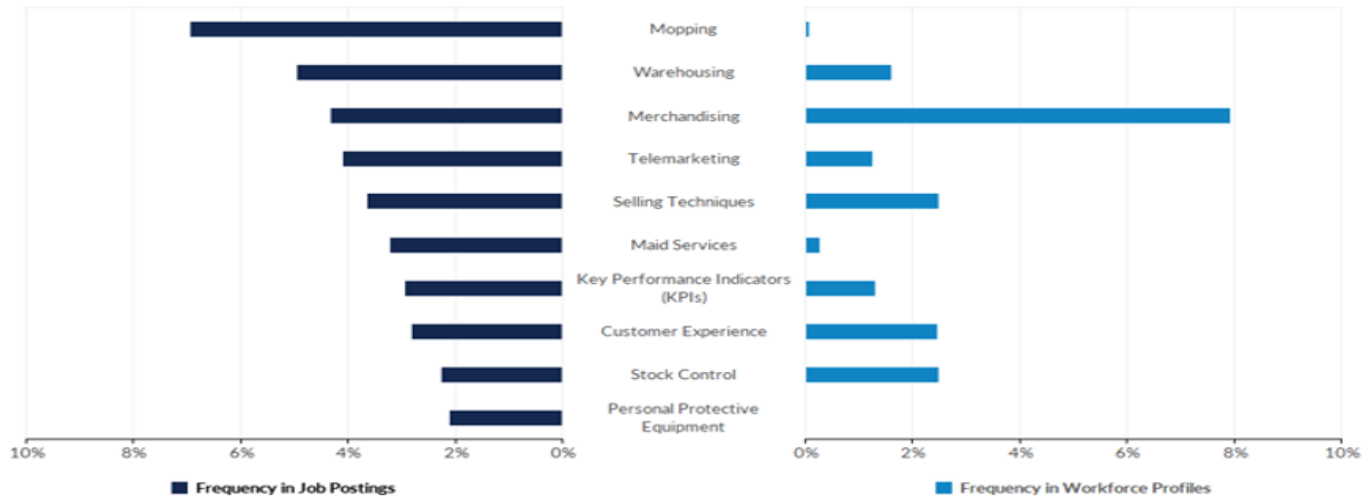
Construction



Most hard skills across Construction remain in demand. Postings since March however suggest heightened demand for Surveying, AutoCAD, Carpentry, and Procurement.

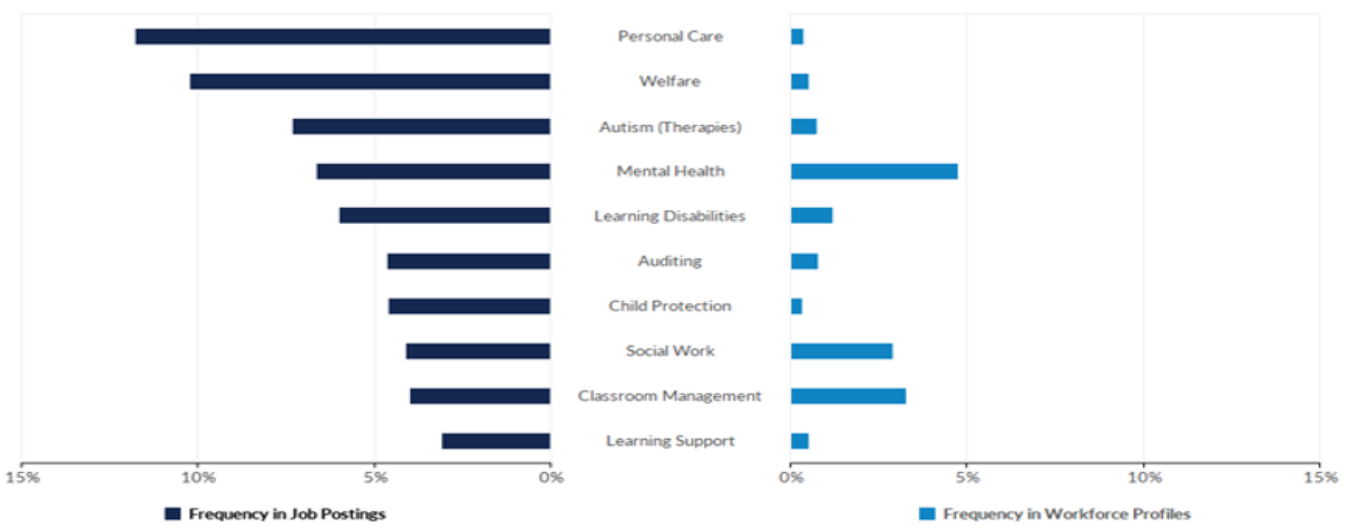
Sector Skills Demand

Retail



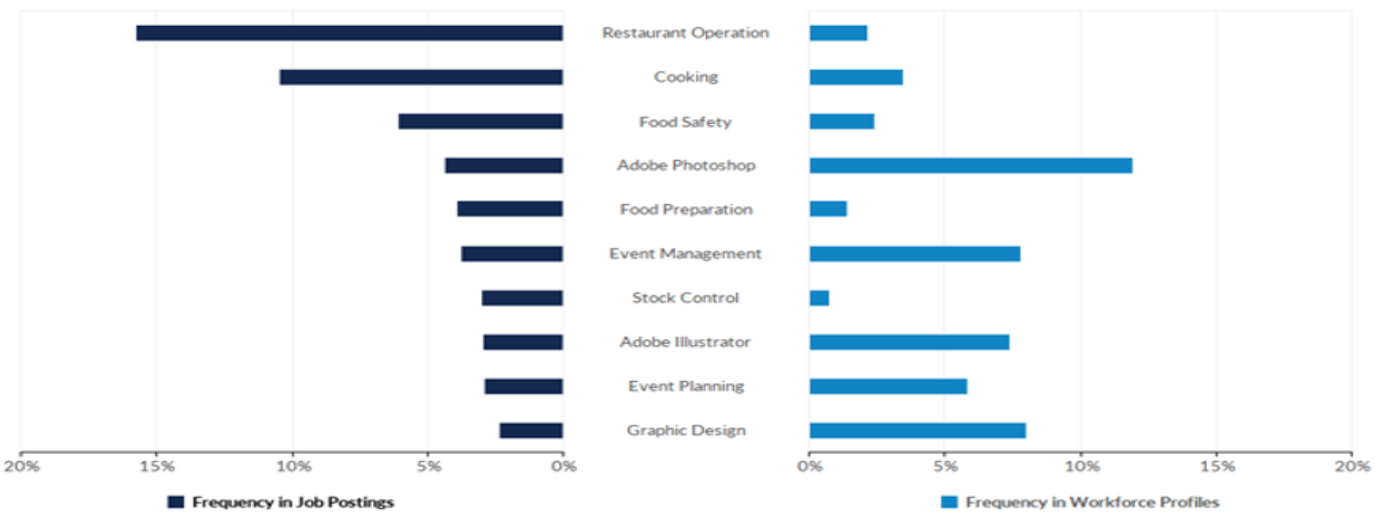
Merchandising has been the most in-demand skill in the retail sector.

Public Sector Inc. Education



Mental Health, Classroom Management and Social Work are the most in-demand skills across this sector.

Visitor Economy



Due to the nature of the pandemic, usual key hard skills in this sector like Restaurant Operation, Cooking and Food Safety/Preparation have been severely impacted.

Appendix

University Response to SME Support

[Aston Means Business](#) podcasts are looking at how SMEs are adapting to the challenges of coronavirus, providing valuable insights and lessons for other businesses and entrepreneurs.

Aston Centre for Ethnic Minority Entrepreneurship developed the Business Leadership project with Citizens UK to support businesses to access support funding and to work with them to survive through the crisis: <https://www.citizensuk.org/birmingham>

The Enterprise Research Centre (ERC – Universities of Aston and Warwick) are part of the new Productivity Institute which will help policy and business leaders across the UK understand how to improve productivity and living standards as the economy begins to recover from the impact of Covid-19.

Aston Centre for Growth runs several business support programmes, which support businesses to grow. This includes how they respond to current challenging conditions.

Birmingham City University reopened its Seacole Building as a 'skills hub' to help students nearing the end of their studies, current NHS staff and returning employees to learn key techniques and skills needed in the frontline battle against coronavirus. University staff have been working closely with the skills teams in local NHS Trusts, especially University Hospitals Birmingham, to ensure the skills taught are in line with Trust requirements, and that their training makes the biggest impact in supporting patients. Approximately 95% of the university's student nurses, in the last six months of their studies, offered their services for an extended placement with the health service and so far, over 270 have been trained.

University of Derby is providing free online training and information for pharmacists who have been redeployed to NHS 111 services. NHS England and NHS Improvement, in partnership with Health Education England (HEE), first commissioned the University of Derby to develop and deliver an Integrated Urgent Care Clinical Assessment Service (IUC CAS) pharmacist programme 18 months ago. The course aims to introduce pharmacists to the IUC setting. To support the rapid upskilling of pharmacists supporting the new NHS 111 COVID-19 CAS service, two of the course's three modules have been made available online for free.

De Montfort University Leicester surveyed 700 businesses and entrepreneurs to find out the issues concerning them most and have produced tailored support to address those topics, as well as collating and running an online hub for the latest business information. Their teams are running free webinars, online sessions and one-to-one business coaching to help people embed new business models and adapt to new ways of working. They have also launched the #DMUbusinesshour every week on Twitter to answer any questions businesses have and signpost them to available help.

Nottingham Trent University has launched an UpScaler Project and is currently working with 140 SMEs in the D2N2 region. Businesses can take part in a series of lockdown support webinars, all based around crisis management and thinking forwards, covering themes including finance, performance management and reworking value propositions. As well as being able to share their experience and best practice with other leaders whose businesses are experiencing similar growth challenges, directors can also apply for a grant towards the cost of business coaching.

In Herefordshire more than 50 SMEs are set to benefit from a newly developed suite of workshops funded by the European Regional Development Fund (ERDF) and The Marches Local Enterprise Partnership. The Cyber Quarter – Midlands Centre for Cyber Security, supported by the University of Wolverhampton's Cyber Research Institute (WCRI), is delivering the online courses which will cover all aspects of cyber security, from managing a potential attack to building a resilient strategy. Later this year the university and Herefordshire Council are opening a new £9m cyber security centre of excellence which has been part-funded by the Government's Local Growth Fund and the ERDF.

University of Lincoln's National Centre for Food Manufacturing has been offering free Functional Skills English and Maths courses for workers who are furloughed, working from home or self-isolating. The online sessions relate to their work and home life and participants can gain a university certificate or a nationally recognised qualification with City & Guilds.

New Activity from Midlands Engine Universities to Fill Skills Gaps

MEU Partner	Activity
Birmingham City, Coventry, Nottingham Trent and Wolverhampton 12 May 2020	MEU partners were among just 18 universities from across the UK to be awarded a share of £13 million to help bridge the digital skills gap by launch new, innovative postgraduate courses in AI and data science. https://midlandsenterpriseuniversities.co.uk/funding-awards-will-help-bridge-digital-skills-gap
Birmingham City and Coventry University 10 July 2020	Birmingham City and Coventry University have been chosen by Health Education England (HEE) to introduce new nursing degrees. HEE announced the new courses, which will support the NHS Long Term Plan to bolster the nursing workforce, by allowing students to learn flexibly and balance their studies with other commitments. https://midlandsenterpriseuniversities.co.uk/birmingham-city-university-set-to-offer-innovative-online-nursing-courses-from-next-year
University of Derby 15 July 2020	UK's first fast-track policing degree prepares for launch in September. https://midlandsenterpriseuniversities.co.uk/coventry-university-to-deliver-new-online-degree-to-encourage-more-people-into-nursing
University of Wolverhampton 20 July 2020	New £5m health and social care training centre to be created at the Telford Campus. The Centre will proactively address shortfalls in health professionals across the Marches area, with an emphasis on local people and students who will become key workers within the area. https://midlandsenterpriseuniversities.co.uk/new-5m-health-and-social-care-training-centre-to-be-created-at-the-university-of-wolverhamptons-telford-campus
Birmingham City University 22 July 2020	Birmingham City University is set for a £5 million expansion to its City South Campus, which will provide additional teaching and training space to boost capacity and learning space for students taking up courses at its Faculty of Health, Education and Life Sciences. https://midlandsenterpriseuniversities.co.uk/birmingham-city-university-set-for-5-million-expansion-to-its-city-south-campus
University of Lincoln 4 August 2020	At the Lincoln Science and Innovation Park, using the Getting Building Fund, there will be an R&D institute focusing on intelligence, surveillance, reconnaissance, digital communications, and cyber technologies. This is closely aligned to existing local skills and demands.
University of Derby 4 August 2020	Derby's Institute for Innovation in Sustainable Engineering will stimulate manufacturing and innovation at the Manufacturing Research Centre utilising the Getting Building Fund.
University of Lincoln 4 August 2020	The Getting Building Fund will allow for investment to support high skill jobs and promote increased clustering to drive the growth of the health and care sector, around the Centre for Innovation in Rural Health.
University of Lincoln 4 August 2020	The Holbeach Food Enterprise Zone has received the Getting Building Fund to extend the work to create a hub for innovation, research and knowledge transfer for the needs of SMEs.
BCU, Coventry University, De Montfort University, University of Derby, Nottingham Trent University 6 August 2020	The business Schools are working with the Small Business Charter to deliver a specialised government funded programme for leaders of small businesses to survive and thrive in the coming months and post coronavirus. https://midlandsenterpriseuniversities.co.uk/small-businesses-hit-by-the-pandemic-to-access-support-from-university-of-derby-business-school https://midlandsenterpriseuniversities.co.uk/small-businesses-hit-by-the-pandemic-to-access-support-through-government-partnership-with-birmingham-city-university
Coventry University 7 August 2020	Employers who wish to upskill their staff in project management and supply chain management can now sponsor them to study via two newly launched degree apprenticeships https://midlandsenterpriseuniversities.co.uk/coventry-university-launches-new-business-apprenticeship-degrees
University of Wolverhampton 11 August 2020	242 additional Nursing student places were granted by the Secretary of State for Education following a successful University of Wolverhampton bid. https://www.wlv.ac.uk/news-and-events/latest-news/2020/august-2020/student-nursing-numbers-handed-a-lifeline-in-government-boost.php

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