MIDLANDS ENGINE QUARTERLY ECONOMIC COMMENTARY

MAY 2019

MIDLANDS ENGINE
Economic Observatory

Introduction

Welcome to the second edition of the Midlands Engine Quarterly Economic Commentary. This report is produced by the Midlands Engine Economic Observatory which is a partnership commissioned by the Midlands Engine.

The purpose of the report is to provide intelligence that can inform, support and influence important decision making to ensure strategy and policy is evidence led. The report will be produced on a quarterly basis with each quarter reporting on the latest data to be released. The first quarter in March focused on the Economy with the main emphasis on GVA. This second report is centred on people with the main focus on qualification levels. The third report in August will focus on place, population and dwelling stock analysis. The fourth report in November will focus on businesses and jobs.

The report is supported by a master spreadsheet of data which is a selection of headline indicators from national data sources. The data can be downloaded via the Midlands Engine website (www.midlandsengine.org) and is updated as soon as national data is released. The indicators are made available down to Local Authority level.

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

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- Key Messages in Context
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- School Readiness
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Glossary:
- **Economically Active:** People that are aged 16 years old and over that are either in employment or unemployed but available for employment.
- **Economically Inactive:** People that are aged 16 years olds and over without a job and who have not sought work in the last four weeks and/or not available to start work in the next two weeks.
- **GVA**: Gross Value Added – a measure of economic activity
- **School Readiness:** The percentage of children aged 5 achieving a good level of development at the end of reception (Year 0, Nursery, or FS2 - foundation second year).

Key Messages in Context

School readiness

- The latest data on the 'readiness' of 5 years olds for schools shows the ME average at just under 2 percentage points below the national average (69.7% vs 71.5%). The score varies from a high in Staffordshire at 75.0% and a low in Stoke-on-Trent with 65.9%. The growth rate over the last year matched the UK at +0.8pp.

Apprenticeships

- There were 74,250 Apprenticeship Starts within the ME reported in 2017/18, a decrease of 28.5% (-29,590) apprenticeships from 2016/17, an even greater decline than the national trend of 22.6%. This decline has been attributed to various factors including the apprenticeship levy and uncertainty regarding Brexit. As well as falling numbers there are also issues regarding value for money with some employers using apprenticeship funds to pay for graduate training schemes or professional training or management courses that they would otherwise have paid for themselves.

Qualifications

- Significant progress has been made in terms of a reduction in the number of working age people across the ME with no qualifications from 18.0% in 2004 (1,022,800 people) to 9.5% in 2017 (589,300 people). For the ME to reach the national average requires a further 89,374 working age ME residents to obtain at least one qualification.
- In 2018 the % of people with a Level 4 qualifications grew in the Midlands at a faster rate than the national average (an increase of 4.1% in the Midlands versus a national increase of 2.3%). However the Midlands still has a significantly lower % of people qualified to level 4 than the national average (32.8% versus a national average of 39.2%). Worryingly the gap between the Midlands and the UK in 2018 is wider than it was in 2004.

Employment

- The ME population is growing and so is the working age population, 77.3% of the working age population in the ME are classed as economically active, which translates to 4,839,300 people.
- The employment rate in the ME was 72% in 2004, compared to the UK rate of 72.5%. Since 2012, employment rates have been growing year on year in the ME, surpassing the 2004 rate in 2016 hitting 72.2%. The UK employment rate recovered from the 2008/9 recession quicker than the ME, hitting 73.4% in 2015. However, there still remains a 1.5pp gap to the UK employment rate of 75% which translates into an extra 92,900 more people who need to be employed to match the UK rate.
- The ME unemployment rate is 4.5%, 0.2pp higher than the UK rate of 4.3%. 9,910 fewer people need to be unemployed to match the national average rate.
- Those classed as economically inactive in the ME can be broken down into students (402,400 people - 26.9%), looking after the family/home (347,200 people - 23.2%), inactive due to sickness (368,500 people - 25.8%), retired (197,400 people -13.2%) or other (156,700 people - 10.5%).

GVA per hour

- GVA per hour (smoothed) is £28.95 in the ME, with a gap of £4.70 to the UK (£33.65). Since 2010 the ME GVA per hour has increased by 15.1%, faster than the UK growth rate of 14.3%.

Key Statistics

Apprenticeship Starts in 2017/18

▼ -28.5% Midlands Engine

▼ -22.6% Eng.

The proportion of the Working Age Population with No Qualifications decreased while the UK increased

▼ -1.2% Midlands Engine

▲ +0.2% UK

32.8% of the Working Age Population have NVQ4+ Qualifications

▲ +4.1% Midlands Engine

▲ +2.3% UK

Unemployment rate is at **4.5%**

▼ -0.3pp Midlands Engine

▼ -0.2pp UK

73.5% of people in the Midlands Engine are employed

▲ +0.7pp Midlands Engine

▲ +0.3pp UK

22.7% of people are economically inactive

▼ -0.7pp Midlands Engine

▼ -0.1pp UK

GVA per hour is **£28.95**

▲ +2.25% Midlands Engine

▲ +2.5% UK

School readiness in the Midlands Engine is **69.7%**

▲ +0.8pp Midlands Engine

▲ +0.8pp UK

Economic activity has increased to **77.3%**

▲ +0.6pp Midland Engine

▲ +0.1pp UK

Unless otherwise stated, the data for the Midlands Engine area relates to the 64 LA's contained across the 9 LEPs.

School Readiness

- School readiness at age 5 has a strong impact on future educational attainment and life chances. Children who don't achieve a good level of development at age 5 struggle with social skills, reading, maths and physical skills.

- The Midlands Engine average school readiness score is 69.7%, while the England average is 71.5% in 2018. Over the past year this has increased at the same rate as the England average growth of 0.8pp.

- Four areas have a higher school readiness achievement rate than the England average, these include Staffordshire with 75.0%, Herefordshire at 74.1%, Solihull at 72.7% and Warwickshire with 72.3%.

- Areas with a lower school readiness achievement rate include; Stoke-on-Trent with 65.9%, Sandwell and Leicester at 66.4% and Dudley at 66.6%. Notably, Wolverhampton had one of the lower school readiness rate at 65.5% in 2017 and has increased to 68.7% in 2018.

School Readiness 2017 - 2018

Legend: ■ 2018 ■ 2017

Data only available at Unitary and County level
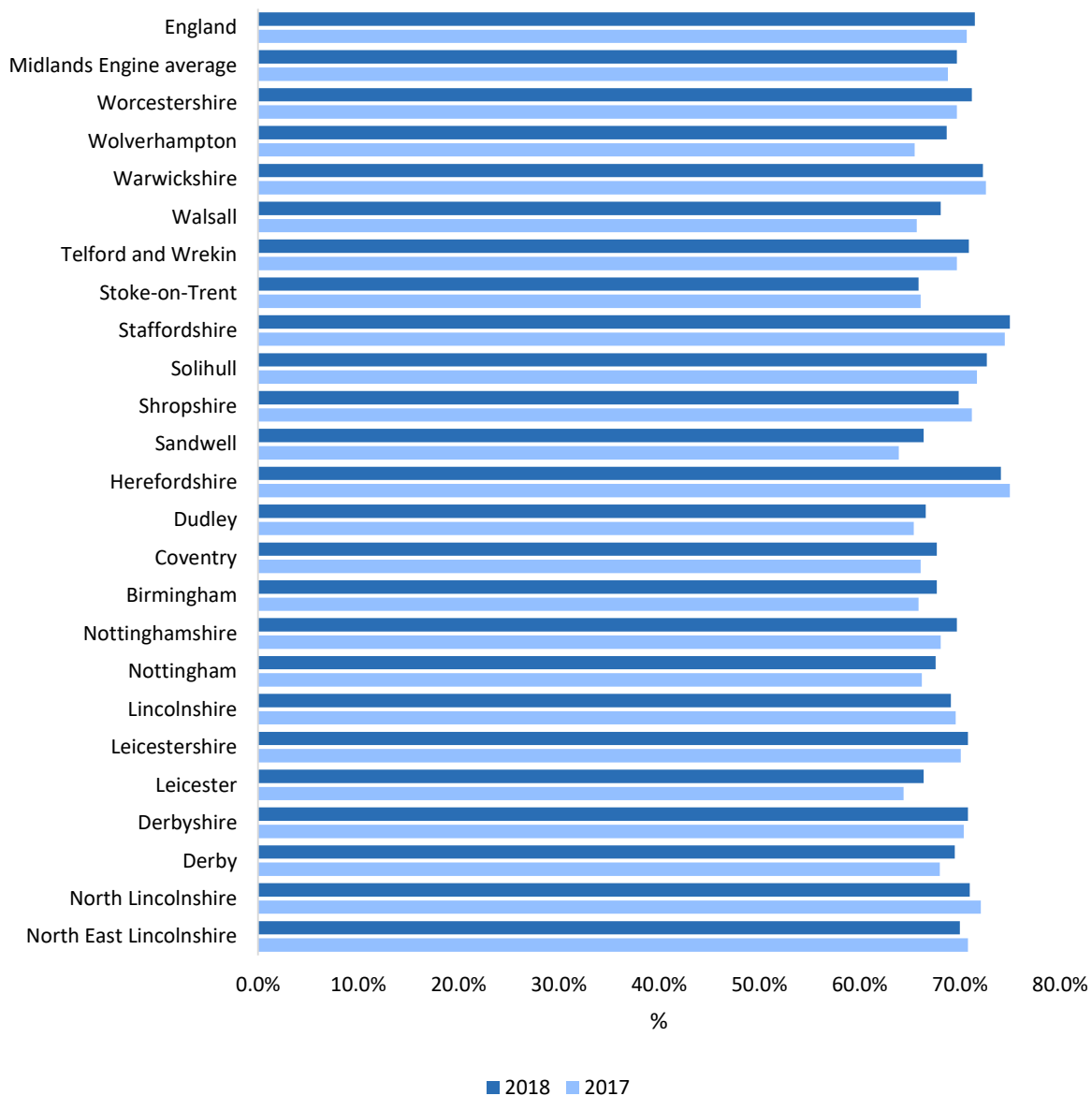
Qualifications

- Across the Midlands Engine geography, 32.8% (2,048,000) of the working age population (16-64 years old) were educated to NVQ level 4 and above in 2018, the UK average was 39.2%. NVQ4+ Qualifications have increased by 4.1% (+79,900 people) from 2017, compared to the UK growth of 2.3%. To reach the UK average requires an additional 401,647 people to gain an NVQ4 qualification.

- 18.3% (1,141,400) hold a NVQ3 qualification in the Midlands Engine area which is above the UK average of 17.3% in 2018. Since 2017, this is an increase of 1.8% (+19,900), while the UK experienced an increase of 0.2%.

- Both NVQ Level 1 and NVQ Level 2 qualifications decreased across the Midlands Engine geography at a faster pace than the UK average, -4.5% (-34,000) and -2.3% (-24,300) respectively compared to fall of -2.6% at NVQ Level 1 and -1.2% at NVQ Level 2. Although, despite the drop in these qualification levels the Midlands Engine is above the UK average with NVQ1 qualifications at 11.6% (726,200) compared to 10.4% nationally and for NVQ2 qualifications at 16.9% (1,059,200) while the UK was 15.8%.

- In 2018, 9.5% (589,300) of the working age population in the Midlands Engine had no qualifications which is above the UK average of 8%. However, over the past year there was a 1.2% (-7,400 people) decrease compared to a 0.2% increase for the UK. To eradicate the gap with the national average, a further 89,374 working age Midlands Engine residents are needed to obtain at least one qualification.

Qualifications in the Midlands Engine, 2018
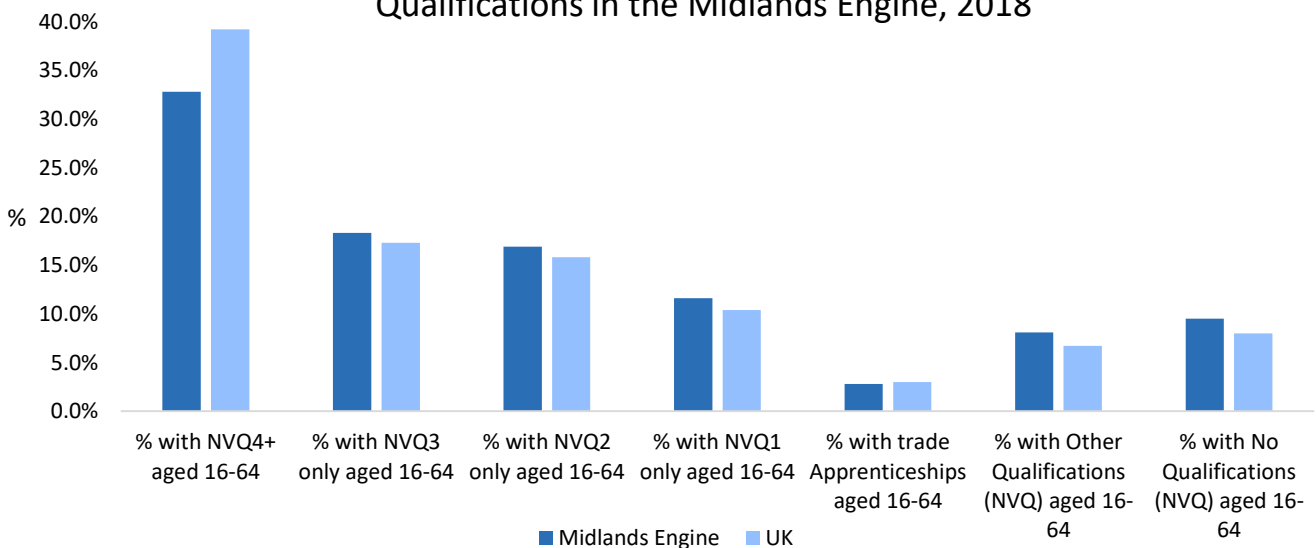
|	2017	2018	2018 %	% UK	Midlands Engine % Change 2017/18	Gap to National
% with NVQ4+ aged 16-64	1,968,100	2,048,000	32.8%	39.2%	4.1%	+401,647
% with NVQ3 only aged 16-64	1,121,500	1,141,400	18.3%	17.3%	1.8%	Above National
% with NVQ2 only aged 16-64	1,083,500	1,058,900	16.9%	15.8%	-2.3%	Above National
% with NVQ1 only aged 16-64	760,200	726,200	11.6%	10.4%	-4.5%	Above National
% with Trade Apprenticeships aged 16-64	179,200	172,100	2.8%	3.0%	-4.0%	+15,373
% with Other Qualifications (NVQ) aged 16-64	547,100	503,800	8.1%	6.7%	-7.9%	Above National
% with No Qualifications (NVQ) aged 16-64	596,700	589,300	9.5%	8.0%	-1.2%	-89,374

Qualifications

% Working Age Population (WAP) with NVQ4+
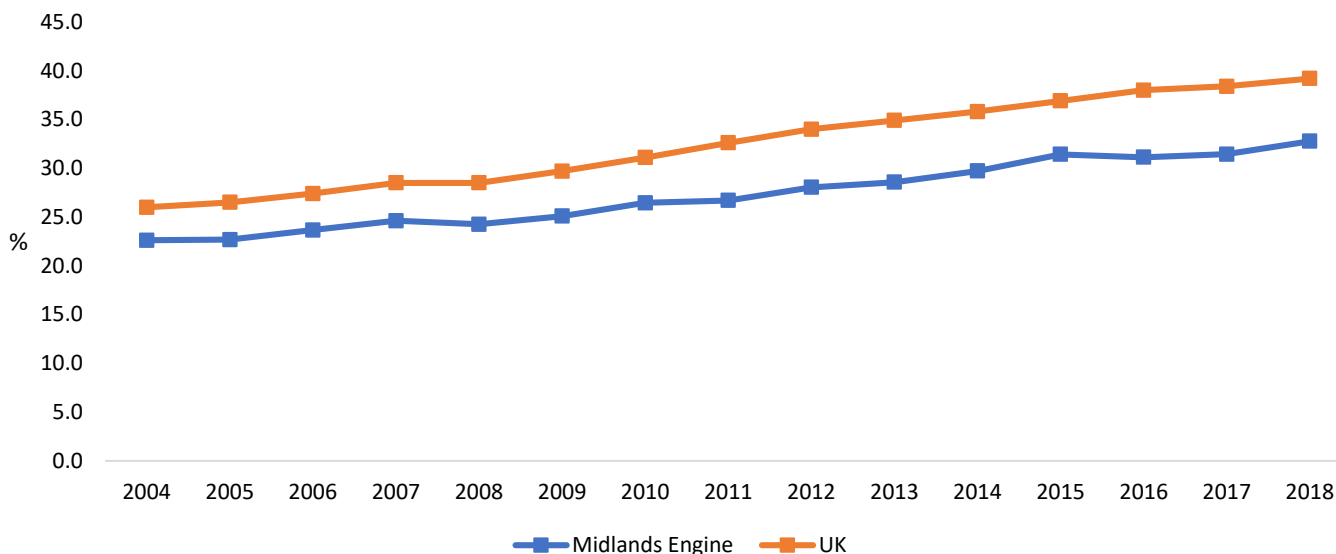
- Since 2004 the % of people qualified to NVQ4 has increased across the Midlands Engine and the UK.
- The rate of change has been higher for the UK than the Midlands Engine, with the gap being 3.3pp in 2004, widening to 6pp in 2012, peaking in 2017 at 7pp and then reducing the following year to 6.4pp gap.

## % Working Age Population (WAP) with No Qualifications
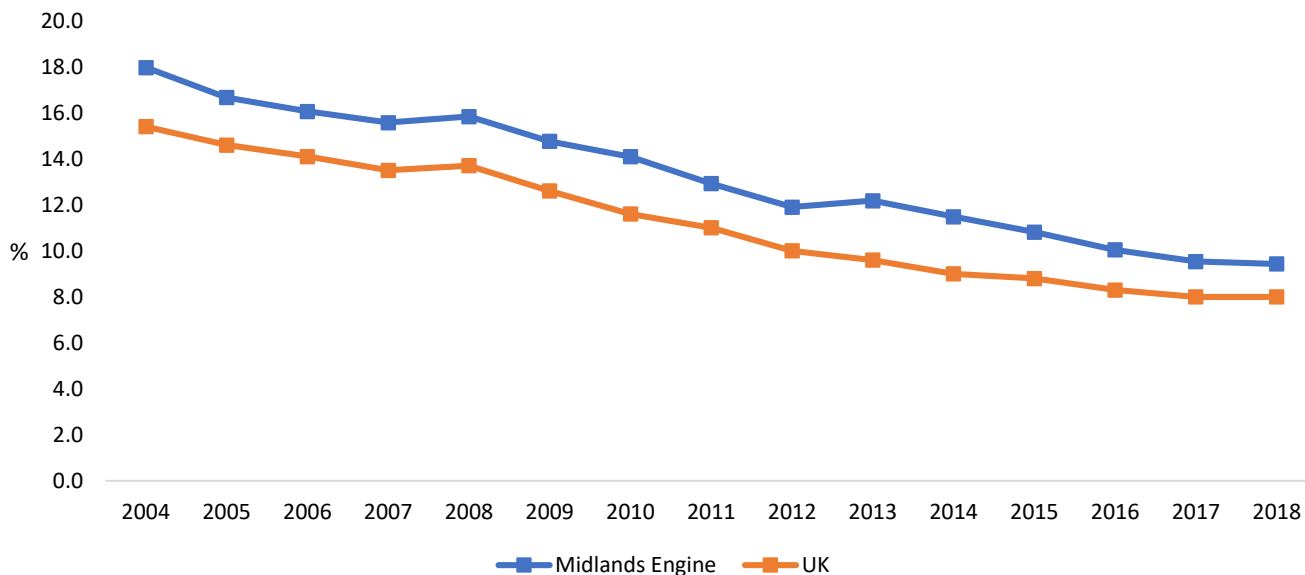
- Between 2004 to 2018, the % of people with no qualifications has decreased across the Midlands Engine and the UK.
- In 2018 the gap to reach the UK average was the smallest since 2004 at 1.4pp.

Apprenticeships

- In 2017/18 there were a total of 74,250 apprenticeship starts in the Midlands Engine, this is a decrease of 28.5% (-29,590) apprenticeships from 2016/17, mirroring the national trend of 22.6% decline. Of the 74,250 apprenticeships, 32,610 of these were at Intermediate, 31,700 Advanced and 8,940 Higher Level.

- Since the previous year there was a 42% decrease in Intermediate Level Apprenticeships in the Midlands Engine, reflecting the national trend of -37%. There was a 19.1% decrease in Advanced Level Apprenticeships, compared to a 14.2% decrease nationally. However, Higher Level Apprenticeships were up 24.7% in the Midlands Engine, and nationally there was a 35% increase.

## Apprenticeship Starts in the Midlands Engine
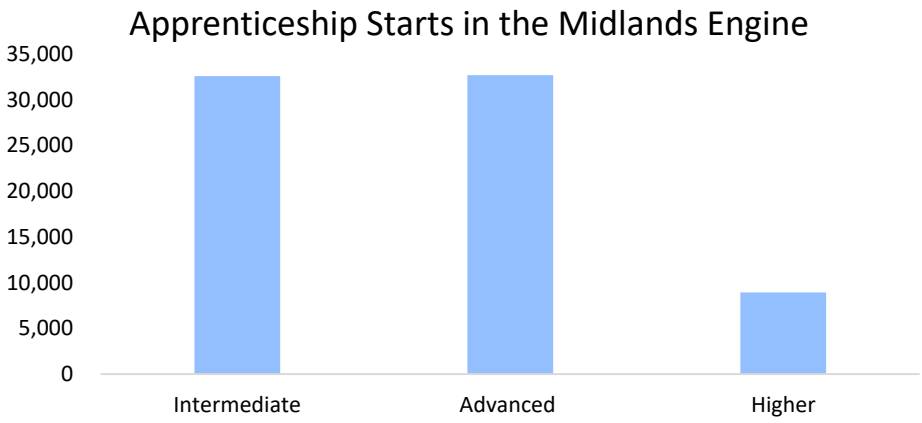
- In 2017/18 D2N2LEP saw the highest number of apprenticeships starts at 16,830, closely followed by GBSLEP at 13,740 starts. Worcestershire had the lowest number of apprenticeships starts at 4,070.
- Between 2014/15 and 2015/16 apprenticeship starts reduced by 180, then reducing again the following year by 1,300, before reducing drastically by 29,590 in 2017/18.
- In 2014/15 there were 105,320 total apprenticeship starts, of which 4% were higher level, 36% advanced, and 60% intermediate.
- Since then the proportion of Higher Level and Advanced Level apprenticeships have increased whilst Intermediate Level apprenticeship proportions have decreased.

Total Number of Apprenticeship Starts 2017/18

Economy
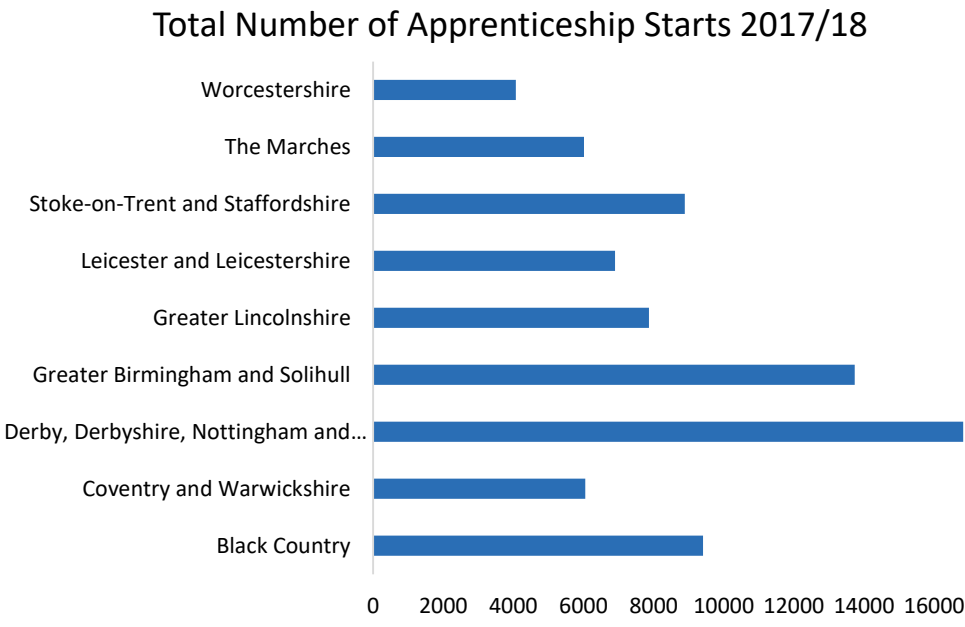
GVA per hour worked:

- In 2017 GVA per hour in the Midlands Engine (based on the LEP average) was £28.95, this is an increase from the previous year of £0.6 (+2.25%) and a 15.1% growth since 2010. For the UK, GVA per hour was £33.6 in 2017, with an increase of £0.8 (+2.5%) from 2016 and a 14.3% growth since 2010. The Midlands Engine area needs to increase by £4.7 to reach the UK average.

- All LEPs within the Midlands Engine geography saw a growth in GVA since the previous year, the highest was recorded in GBSLEP (+3.44%).

Smoothed GVA Per Hour
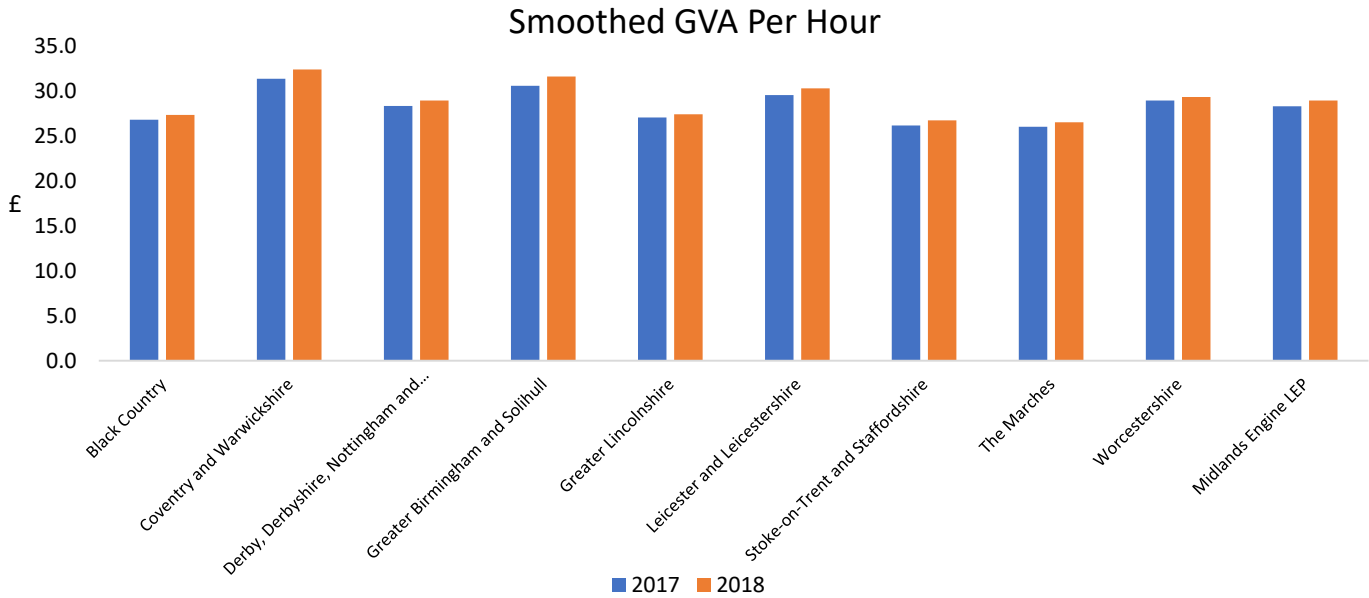
- Smoothed GVA per hour worked has increased for both the Midlands Engine and the UK since 2004.

### Smoothed GVA per Hour Worked 2004 - 2017
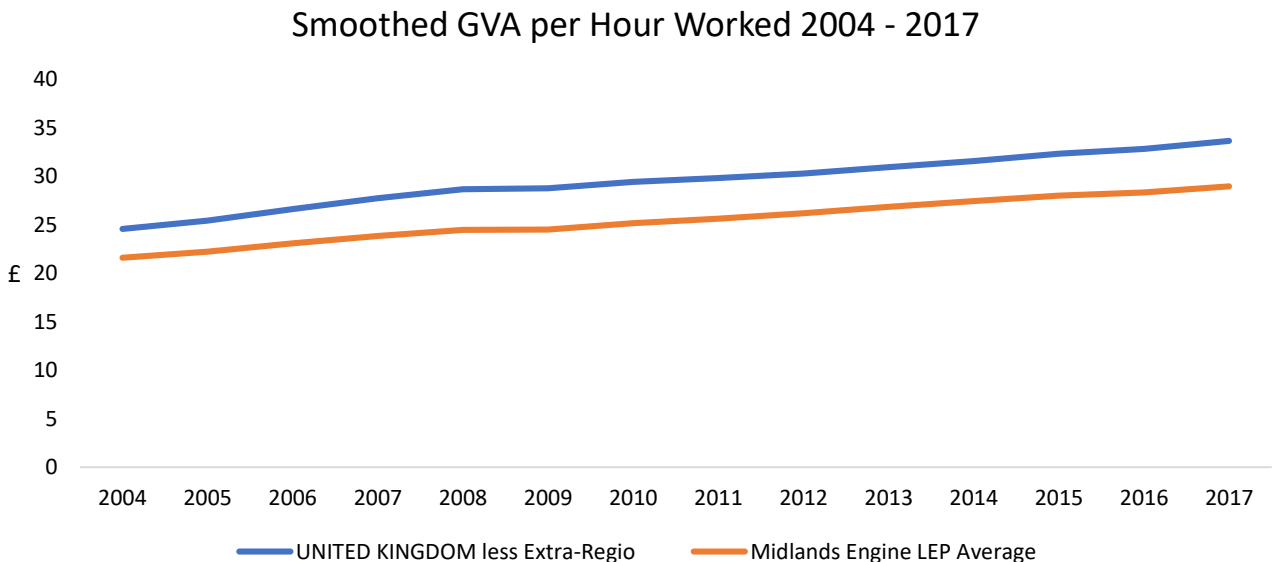
Economic Activity

Economic Activity:

- In 2018, 77.3% (4,839,300) of the working age population in the Midlands Engine were classified as economically active, compared to 78.3% for the UK. The economic activity rate has increased at a faster rate than the UK growth rate at 0.6pp in comparison to 0.1pp. Economic Activity rates vary from 67.4% in Nottingham to 91.1% in Harborough.

- 22.7% (1,425,000) of the working age population were economically inactive in 2018, while for the UK the average rate was 21.7%. The Midlands Engine decreased by 0.6pp from 2017 while for the UK the decrease was 0.1pp.

- 26.4% of those classed as economically inactive are students, 23.2% are looking after the family/home, 24.7% are inactive due to sickness, 12.5% are retired, and 9.9% are inactive due to other reasons.


Source: ONS (2019) Annual Population Survey Jan - Dec 2018
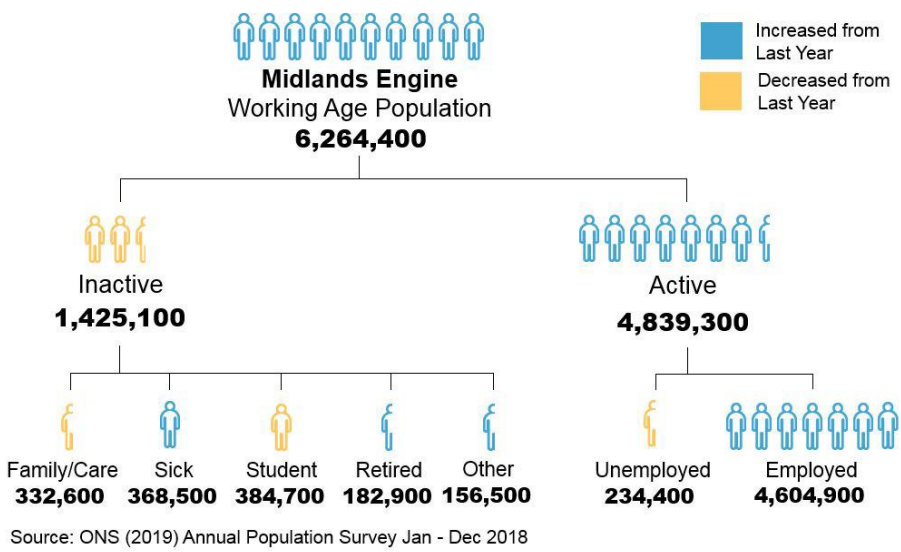
Unemployment Rate:

- The unemployment rate in the Midlands Engine is 4.5% (218.000 people), this is down by -0.3pp since 2017. The unemployment rate is slightly higher than the UK rate of 4.3% however, this decreased at a slightly slower rate at -0.2pp.

- The largest decreases in unemployment were seen in The Marches LEP (-0.9pp) and the Black Country LEP (-0.8pp), however increases in unemployment were seen in D2N2LEP (+0.4pp), Greater Lincolnshire LEP (+0.5pp) and Stoke-on-Trent and Staffordshire LEP (+0.2pp).


Unemployment rate 2004 - 2018
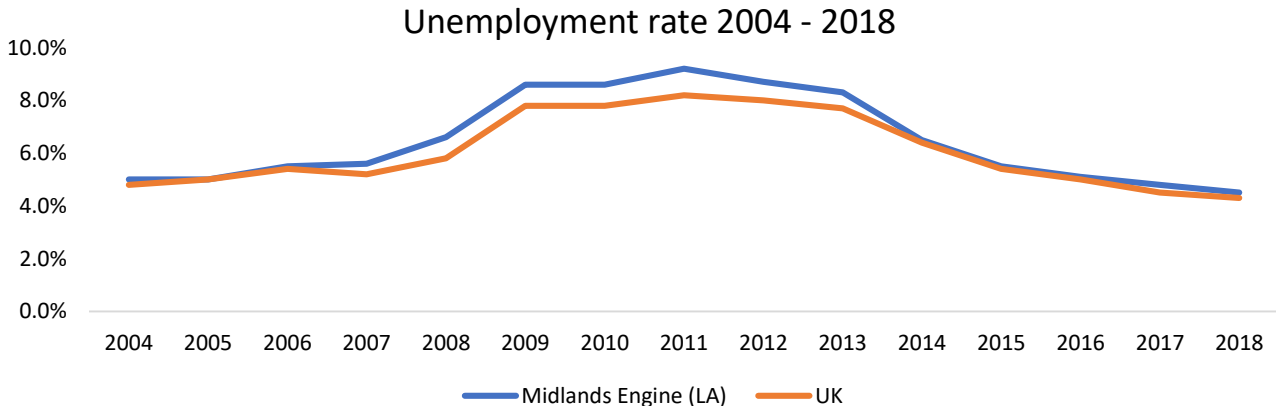
Employment

- In the Midlands Engine 73.5% (4,605,400) of the working age population are employed, an increase from the previous year by 0.7pp. The UK employment rate was 75% in 2018, with a slower growth rate of 0.3pp.

- The employment rate varies within the Midlands Engine geography, as The Marches and Worcestershire have the highest employment rates at 79.4%, both higher than the national average. The Black Country LEP and Greater Lincolnshire LEP have the lowest employment rates at 68.7% and 71% respectively. There is variation in performance across the LA's, with the lowest employment rate in Nottingham (63%), Birmingham (65.3%) and the highest employment rates reported in Warwick (86.1%) and Harborough (87.1%). 35 of the Midlands Engine local authority areas have employment rates above the UK average.
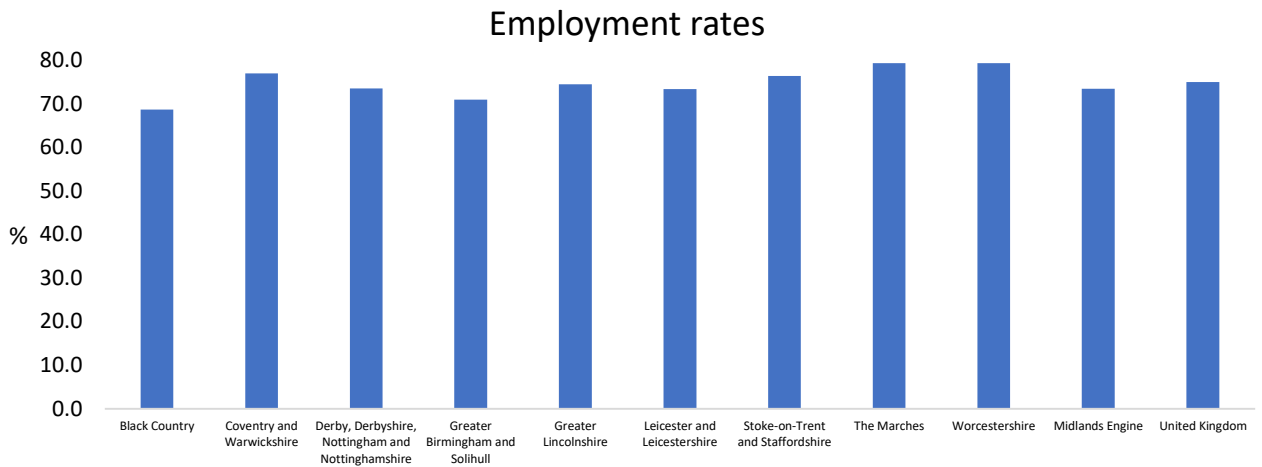
Employment rates


MIDLANDS ENGINE EMPLOYMENT RATE
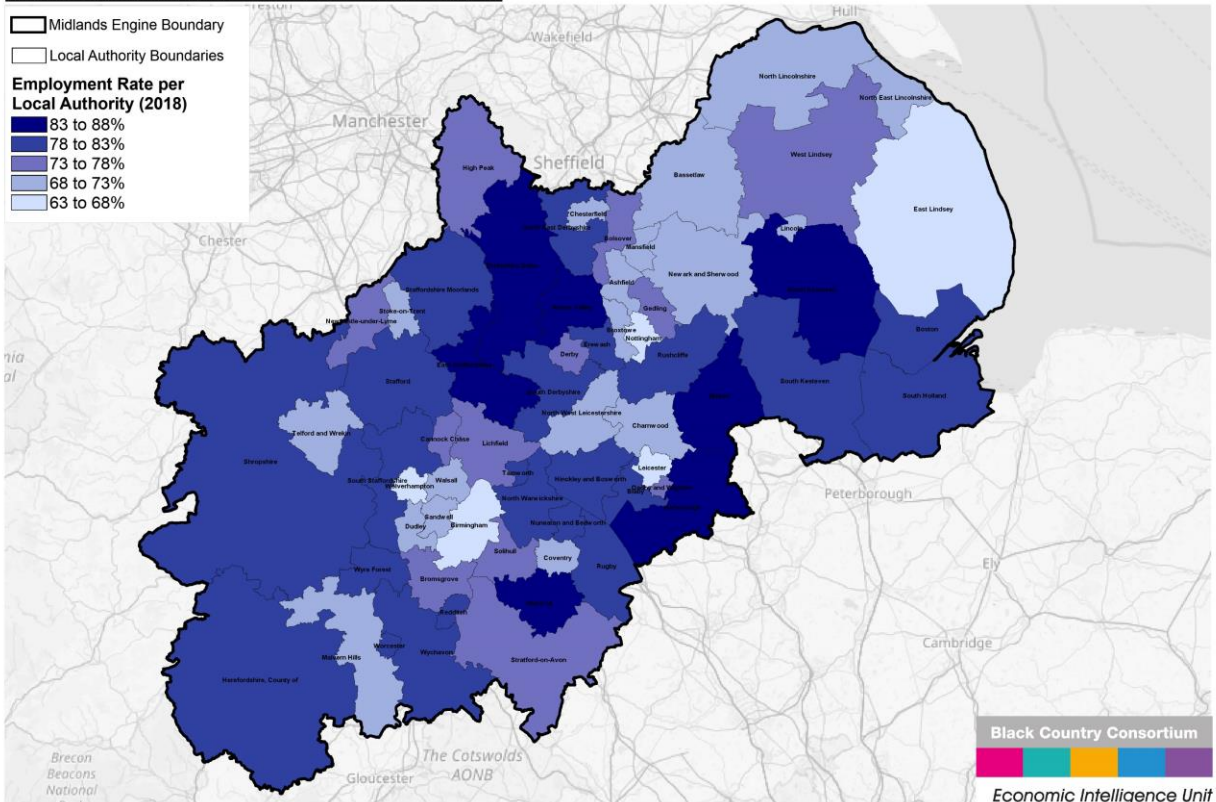
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Sources: ONS, Annual Population Survey, 2019

Employment

- Since 2011 employment rates have grown in both the Midlands Engine and the UK, with the gap between the rates at 1.1pp in 2014, the smallest gap since the dip in 2010/11.
- In 2018, the gap between the UK and the Midlands Engine employment rate was 1.5pp.

Employment Rate 2004 - 2018
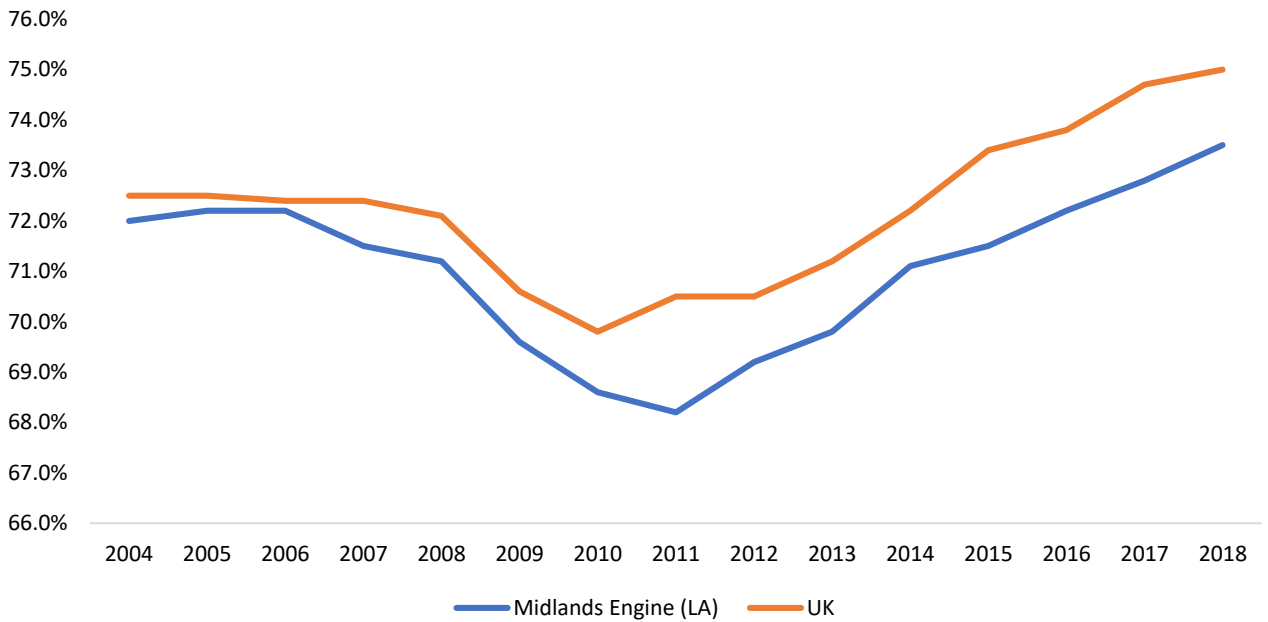
Indicator List

Indicators	Source	Update Due
Total GVA	ONS	Dec-19
GVA per head	ONS	Dec-19
GVA by industry	ONS	Dec-19
GVA per hour	ONS	Feb-19
GVA per employee	ONS/BRES	Dec-19
Total Enterprise Stock	ONS	Nov-19
Enterprise Birth Rate	ONS	Nov-19
Enterprises by Broad Sector	ONS	Oct-19
Total Jobs	ONS, BRES	Sep-19
Jobs by broad sector	ONS	Sep-19
Inward Investment - Number of Regional FDI Projects	DIT	Jul-19
Exports	HMRC	Nov-19
Business Innovation	BEIS	TBC
Business Access to Finance	TBC	TBC
Mid-year population estimates	ONS	Jun -19
Life Expectancy at Birth - (Males and Females)	ONS	Dec-19
Gross Disposable Household Income per person	ONS	May-19
Average Annual Earnings - Workplace and Residential Based	ONS, ASHE	Oct-19
Employment rate of working age population	ONS APS	Apr-20
Unemployment rate of working age population	ONS APS	Apr-20
School readiness - % of children achieving a good level of development at the end of reception	GOV.UK	Oct-19 (P)
Progress 8 score	DFE	Oct-19 (P)
Number of Apprenticeships by level	DFE Data Cube	Oct-19 (P)
% aged 16-17 NEET	DFE	Oct-19
% of WAP with NVQ 4+	ONS APS	Apr-20
% of WAP with NVQ 3	ONS APS	Apr-20
% of WAP with NVQ 2	ONS APS	Apr-20
% of WAP with NVQ 1	ONS APS	Apr-20
% of WAP with trade apprenticeships	ONS APS	Apr-20
% of WAP with other qualifications	ONS APS	Apr-20
% of WAP with no qualifications	ONS APS	Apr-20
Graduation Retention	HESA	Jul-19
HE Research Funding	HESA	TBC
Total Dwelling Stock	MHCLG	May-19
House Price to Income Ratio	MHCLG	Mar-20
Broadband connectivity	Ofcom	Dec-19
Visitor Numbers	VisitBritain	Aug-19

Midlands Engine Observatory

Produced by:

Black Country Consortium
Economic Intelligence Unit

In partnership with:

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Economic Observatory

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cambridge econometrics
clarity from complexity

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