
Report to:	Economy Scrutiny Committee
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Subject:	Labour Market Analysis

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1. Purpose of this Report

- 1.1. To provide an overview of key labour market issues and context to support discussions by Scrutiny Committee.

2. Information

National context

- 2.1. It is useful to draw on the national labour market context because data at this level is timelier and more detailed, providing insights that are likely to be applicable in West Yorkshire setting that cannot be drawn directly from the local data. The following analysis relates to the UK and is mostly based on the latest analysis of the Labour Force Survey for the quarter June to August 2022. The impact of the cost-of-living crisis is not clearly reflected in labour market indicators at the current time. The labour market remains extremely tight, with high vacancies, low unemployment and rising wages.
- 2.2. Employment has still not recovered to its pre-pandemic position at UK-level. The proportion of working age people who are in employment fell slightly in the latest quarter to 75.5%, and it still remains a percentage point below the pre-pandemic rate, which is 320,000 lower in absolute terms. Drilling down into the employment situation, self-employment was hard hit during the pandemic but is now recovering. The number of self-employed people grew by 1% on the quarter but is still 15% lower than before the health crisis
- 2.3. The official rate of unemployment, at 3.5%, is 0.5 percentage points below the pre-pandemic rate and is at its lowest point since 1974. There are 1.2m vacancies in the labour market – slightly down from the peak seen earlier in 2022 – but still near all-time record levels. Public sector vacancies are still growing. The ratio of unemployed people to vacancies is at a record low of 0.9, thanks to the fall in the number of unemployed people. There are now fewer unemployed people than there are vacancies – clearly signifying that there are not enough people to fill the jobs that are available.
- 2.4. Redundancies remain at low levels, with a current redundancy rate (per 1,000 employees) of 2.4. Although the rate increased by 0.5 in June-August 2022, compared

with the previous quarter, it remains 1.5 below the period immediately preceding the pandemic. At the height of the pandemic the redundancy rate peaked at around 15 redundancies per 1,000 employees.

- 2.5. The tight labour market is reflected in strong growth in pay. There was a year on year increase in average pay of 6% in the latest quarter. This is driven by growth in private sector pay – average pay in the public sector increased by only 2% in the same period. But average pay growth of 6% in nominal terms corresponds to a real terms fall of more than 2% when inflation is factored in.
- 2.6. One of key issues arising from pandemic is people leaving the labour force. Economic inactivity among people of working age increased by 0.6 points to 21.7% in June to August compared with the previous quarter. This is 1.4 points higher than pre-pandemic and the biggest quarterly increase since records began in 1971. In spite of, low current unemployment, the number of people who are workless – unemployed or inactive – is ½ m higher than pre-pandemic.
- 2.7. Three quarters of the rise in inactivity is due to fewer older people in work plus a record rise in people who are inactive due to long-term health conditions. Rates of chronic illness shot up during the pandemic and continue to climb, with millions of people suffering multiple conditions. Mental health and cardio-vascular conditions are among the big issues. It seems likely that labour supply is being constrained by people waiting for treatment; poorer health post pandemic; long-covid; and sub-optimal employer practice in relation to health conditions of staff.

Local indicators

- 2.8. The more limited data available for West Yorkshire paints a similar picture to the national level, in the sense that the cost-of-living crisis is not yet clearly reflected in movements in business and labour market indicators.
- 2.9. Business liquidations in West Yorkshire (see figure 1 in appendix) have followed similar patterns to those at the national level. A concerning trend, however, is that liquidations in West Yorkshire have settled at a higher level than in England over the past year. Across both England and West Yorkshire, freight transport and management consultancy businesses saw the greatest levels of liquidations over the last two years.
- 2.10. Figures from HMRC real time employee count give a timely picture of employment trends at local level, although they do not include people in self-employment (see figure 2 in appendix). The number of payrolled employees in West Yorkshire increased by around 2,900 (0.3%) between August and September 2022, slightly above the national growth rate. The employee count is now 30,000 (3%) above pre-pandemic levels (Feb 2020); this is similar to the national position.
- 2.11. The claimant count is a key labour market measure that is available to us at local level. It is a count of people who claim out of work benefits, whether Universal Credit or Jobseekers Alliance. The count had seen steady decline from early 2021 onwards but that has now stalled with a fairly flat position between June and September 2022 (see figure 3 of appendix). The count remains 23% (13,100) higher than its pre-pandemic level (February 2020). West Yorkshire's claimant rate of 4.7% (6.7% in Bradford) is above the national average of 3.8%.
- 2.12. Similar to the overall West Yorkshire position the claimant count has remained virtually static in the last few months in all five local authorities (see figure 4). Recovery has been slower in Bradford and Leeds. Bradford's claimant count is still 31% higher than pre-pandemic and it is 28% higher in Leeds.
- 2.13. We've seen from the official national data on vacancies that recruitment activity remains high. This picture is supported by the online job postings data that we rely on for a local picture of vacancies. West Yorkshire's monthly count of online job postings fell during

August and September 2022 but the level of postings remains very high in historic terms (see figure 5 of appendix). There were 4,600 new postings recorded in September 2022, 27% higher than the level for September 2021 and well above pre-pandemic levels. It is not clear how sustainable this high demand is likely to be in view of the increased cost pressures for business that are building and the decline in consumer confidence.

- 2.14. The recruitment picture is variable at local authority level in some respects (see figure 6). The count of job postings in Leeds fell by around a third between January and September of this year, whereas other local authorities have grown during this same period (e.g. Bradford 64% higher). However, all local authorities saw a decline between August and September.
- 2.15. All of the main occupational groups retained relatively high levels of job postings in September (see figure 7 of the appendix). The number of postings increased in Information Technology and Education and Training in September compared with the previous month, although the majority of occupations saw reductions of varying sizes, with Finance and Hospitality, food and tourism seeing the biggest reductions in percentage terms. The data does not provide conclusive evidence that the cost of living crisis is impacting on recruitment levels in any occupation at this stage.
- 2.16. Comparing the cost-of-living crisis period (April to September 2022) with equivalent periods in previous years gives some insight into the occupations seeing the greatest increase in recruitment demand (see figure 8). Hospitality, food and tourism and Engineering have seen the strongest percentage growth compared with 2021. However, Information technology, which also experienced strong growth in the last year, has seen the biggest growth compared with the pre-pandemic period (April to September 2019).

NEETs

- 2.17. Young people who become NEET (not in education, employment or training) face an increased likelihood of unemployment, low wages, or low-quality work later on in life. Being NEET can also have an impact on involvement in crime, as well as a detrimental effect on physical and mental health, particularly when time spent NEET is at a younger age or lasts for longer. Local authorities have a duty to track young people's activity to identify those not participating and support them to do so.
- 2.18. Based on the latest published figures, there was an average of 3,100 young people aged 16 and 17 who were NEET, or whose status was not known in West Yorkshire during the months of December 2021 to February 2022. This equates to around 5.5% of all 16- and 17-year-olds known to their respective local authorities, which is slightly above the England average of 4.7% (see figure 9).
- 2.19. The prevalence of NEETs varies across West Yorkshire local authorities, with some below the national average and some well above. Around 3% to 4% of 16- and 17-year-olds in each of Calderdale, Kirklees and Wakefield are NEET or not known, with the proportion increasing to around 6% in Bradford. The proportion is highest in Leeds at nearly 8%.
- 2.20. The number and proportion of young people NEET and not known in West Yorkshire fell in 2021/22, following an increase in the previous year. The number decreased by 120 or 4%, whilst the proportion of the cohort fell by a marginal 0.4 percentage points, from 6.0% to 5.5% (figures appear inconsistent due to rounding). Three out of five local authorities shared in the reduction, including an 18% fall in the number in Kirklees, a fall of 9% in Bradford and a small reduction of 2% in Calderdale. Leeds saw a 4% increase, whilst Wakefield remained static. Nationally, there was a bigger fall in the number of young people NEET and not known in 2021/22, of 12%.

- 2.21. Females in West Yorkshire are less likely than males to become NEET (or activity not known) at age 16 and 17 (the ages at which local authorities have a statutory duty to track and support young people). Five per cent of females fall into this category compared with 7% of males. Nonetheless, almost 40% of all NEETs are female, around 1,200 young women in absolute terms. The prevalence of NEET females in West Yorkshire is similar to the national average but this disguises important variations at local authority level, ranging from a female NEET / not known rate of 7% in Leeds to rates of less than 3% in Calderdale and Kirklees. Historically more women than men have been NEET but over time this gender gap has disappeared due to a decrease in the number of young women who are inactive because they are looking after their family or their home. Seventy-three per cent of teenage mothers in West Yorkshire are recorded as NEET.
- 2.22. Young people from the Mixed Race ethnic group are most likely to have NEET or not known status during year 12/13, at just under 8% of this cohort in West Yorkshire, according to the latest figures available. Around 7% of young people from the White group are NEET / not known – the second highest prevalence. Less than 4% each of Asian / Asian British and Black / Black British cohorts are affected. This broad pattern is similar to the national average, although the specific proportions are lower, reflecting the lower overall NEET / not known prevalence at national level. This pattern is broadly consistent across local authorities.
- 2.23. Young people in receipt of SEN Support or classified as having Special Educational Needs and Disabilities (and have an education, health and care plan) - are each twice as likely as the average to be NEET or have not known status. More than 10% of each of these cohorts is affected compared with around 5% of the overall cohort.
- 2.24. Young people with mental health needs have a very high likelihood of being NEET. This includes people who suffer with depression, anxiety, a phobia and panic attacks. Across West Yorkshire around a fifth of the year 12 /13 cohort with mental health needs were recorded as NEET or not known in 2021/22.

Student destinations

- 2.25. The most recent Key Stage 4 destination measures use administrative data to follow pupils who were at the end of key stage 4 study (GCSE and equivalent qualifications) in 2018/19 and reports their destinations in the following academic year (2019/20). To be counted in a destination, young people have to have sustained participation for a 6-month period in the destination year.
- 2.26. The total proportion of pupils entering a sustained education, apprenticeship or employment destination following Key Stage 4 is slightly lower in West Yorkshire than nationally – at 92% versus 94%. At local authority level the proportions entering a sustained destination are similar: ranging from 91% in Bradford to 94% in Calderdale, Kirklees and Wakefield. The proportion of pupils entering a sustained destination locally has held at a broadly stable level since 2013/14.
- 2.27. The vast majority (87%) of local pupils entered a sustained education destination following KS4 in West Yorkshire in 2020/21, equal to the national average of 87%. All five local authorities registered a similar proportion to the West Yorkshire average. The proportion of the cohort entering an education destination increased during the pandemic, from 85% in 2018/19 to 86% in 2019/20 and to 87% in 2020/21.
- 2.28. There were pronounced changes within the broad education sector (see figure 10 of the appendix). The proportion of the cohort studying at a further education college fell from 36% to 34% between 2019/20 and 2020/21, whilst the proportions studying at a school sixth form and sixth form college both increased in this period (30% to 32% and 18% to 21% respectively).

- 2.29. The proportions of pupils entering an apprenticeship or employment are both relatively small. Only 3% joined an apprenticeship in 2020/21, down from 5% in 2018/19, whilst 3% were employed – a proportion that has remained unchanged in recent years.
- 2.30. Similar destination data are available for young people in the academic year after completing 16 to 18 studies (finishing year 13, usually aged 18). Overall, 78% of local students from state-funded mainstream schools and colleges entered a sustained education, apprenticeship or employment destination in 2020/21, similar to the national average of 79%.
- 2.31. Fifty-four per cent of West Yorkshire students went into a sustained education destination (national average 52%), a significant increase on the previous year when the figure was 49%. The 2020/21 figure includes 37% who went into higher education and 14% into further education. The entry rate into HE was above the national average of 36% as was the proportion entering FE (national average of 13%).
- 2.32. Seven per cent of local students entered an apprenticeship in 2020/21, slightly higher than the national average of 6% but three percentage points lower than in the previous year. At local authority level, students were more than twice as likely to go on to an apprenticeship in Calderdale (11%) as in Bradford (5%) but there were falls in the apprenticeship entry rate across all local authorities.
- 2.33. The proportion of students going into employment in West Yorkshire was lower than the national average, at 16%, compared with an England figure of 20%. West Yorkshire's employment entry rate was 4 points lower than in the previous year, whilst the national average rate fell by 5 points. The proportion going into employment varied at local authority level from 11% in Bradford to 22% in Wakefield. All local authorities experienced a fall in the proportion of students going into employment in 2020/21.
- 2.34. Students aged 16-18 studying a level 3 qualification were more likely to go into a sustained destination of some kind (86% of the cohort), compared with those studying a level 2 (69%) and those pursuing "other"¹ qualifications (55%). There is a concern that those pursuing level 2 and other qualifications at KS5 may become NEET (not in education, employment or training).
- 2.35. Students completing a level 3 qualification were more likely to go into a sustained education destination (principally HE) as compared with those who undertook a level 2 or other qualification. Conversely, the latter group were more likely to enter an apprenticeship or employment than those studying at level 3. However, the proportion of level 3 students entering employment was still significant at 15%.

Apprenticeships

- 2.36. The take-up of apprenticeships in West Yorkshire is relatively strong. With 14,528 apprenticeship starts during the 2020/21 academic year, there were around 13.7 apprenticeship starts per 1,000 people in employment, somewhat above the national average of 12.3.
- 2.37. As noted above, the entry rate into apprenticeships for young people is higher in West Yorkshire than nationally after both Key Stage 4 and Key Stage 5. However, the number of apprenticeship starts in West Yorkshire has fallen significantly as a result of COVID-19 and this follows previous reductions linked to the recent apprenticeship policy reforms. Compared with 2018/19 (pre-pandemic), total starts were 23% lower in 2020/21 in the region (see figure 12 of the appendix) and 18% lower nationally. There has been a particularly sharp fall in intermediate apprenticeships, which declined by 43% compared with 2018/19.

¹ This includes qualifications at level 1 or entry level, or qualifications that had no assigned level. These include lower-level vocational qualifications and essential and functional skills qualifications.

2.38. Higher apprenticeships have grown rapidly in West Yorkshire and across the country and form an increasingly important route into higher skilled employment in occupations like accountancy and nursing. Thirty per cent of apprenticeship starts in West Yorkshire are for higher apprentices, similar to the national average of 31% and broadly in line with the comparator MCAs.

2.39. In view of its importance as a mechanism for social mobility and inclusion, it is crucial that apprenticeships are as diverse as possible. However, there are a number of key issues to consider in this regard:

- Female participation in apprenticeships is strongly concentrated in certain subjects such as health and care and is under-represented in some areas that offer strong pay and career prospects, like engineering, construction and digital.
- Take-up of apprenticeships among people from ethnic minority backgrounds is relatively low among under-19s.
- Take-up of apprenticeships by young people has fallen sharply in recent years. Coupled with this, opportunities at intermediate level have also seen a significant reduction.
- Disadvantaged pupils eligible for free school meals are less likely to take up an apprenticeship than other pupils.

Impact of cost of living crisis on FE

2.40. FE colleges face a range of significant challenges arising out of the cost of living crisis, according to the Association of Colleges:

- Energy costs alone are increasing from about 2% of college income pre-Covid to around 6%, and potentially more next year. The non-domestic energy relief scheme helps some colleges but only for 6 months and institutions face a cliff edge when support potentially comes to an end.
- Around two thirds of college spend is on staff and the pressure on pay is enormous due to rising energy costs and wider inflation. This means recruiting new people and retaining staff becomes a central challenge, with colleges now reporting that they cannot meet demand in key subjects such as construction, engineering, health and digital.
- Colleges have to find extra funds in-year to cope with inflation and energy costs. Many are considering extraordinary solutions – from lowering the thermostat to 19 degrees to closing buildings, reducing opening hours, and even supplying blankets for classrooms.
- Anecdotal evidence shows that young people are taking full-time jobs rather than staying in learning because they need to supplement the household income. College bursary funds are deemed to be wholly inadequate in the face of the growing finance challenge facing students in terms of travel, food and other costs.
- Colleges are requesting support from government for capital investment in energy efficient buildings and green energy and for reimbursement of VAT (worth an estimated £200m to the college sector) to help plug the shortfall on staff pay. They are also calling for government to uprate funding rates for college provision in line with inflation.

2.41. The challenges of the cost-of-living crisis are compounded by the rapid increase in 16- and 17-year-olds resulting from a population boom moving through the education system. The number of 16 and 17-year olds increased by 9% between 2019 and 2022 (+5,000) and is projected to grow by a further 5% (+2,600) between 2022 and 2024. This means that schools and colleges will have to manage their budgets to educate a far larger number of students.

3. Tackling the Climate Emergency Implications

- 3.1. The Combined Authority has commissioned a study to look at the employment and skills needs arising out of the green economy. The final report from this study will be published shortly.

4. Inclusive Growth Implications

- 4.1. There are wide ranging inclusive growth implications from the employment and skills agenda. For example, the average attainment of disadvantaged young people is lower than for non-disadvantaged young people and members of this group are less likely to enter some destinations, such as apprenticeships and higher education, than their non-disadvantaged peers. This is important because there is a clear correlation between levels of skills and attainment and the likelihood of being in employment / achieving a decent level of pay. Ensuring that everyone has access to opportunities to develop their skills is therefore central to the inclusive growth agenda and this is particularly challenging during the current cost-of-living crisis.

5. Equality and Diversity Implications

- 5.1. There are significant employment rate gaps for key population groups, including people from some ethnic minority groups and disabled people, as well as females and older people. These groups also face pay gaps to varying extents. However, some of these groups are relatively well qualified / skilled – for example females are better qualified on average than men and some ethnic groups are better qualified than the White group. This shows that support / interventions in addition skills development are required to improve the labour market position of some equalities groups.

6. Financial Implications

- 6.1. There are no financial implications directly arising from this report.

7. Legal Implications

- 7.1. There are no legal implications directly arising from this report.

8. Staffing Implications

- 8.1. There are no staffing implications directly arising from this report.

9. External Consultees

- 9.1. No external consultations have been undertaken.

10. Recommendations

- 10.1. That the Committee notes the report and provides any comment.

11. Background Documents

None.

12. Appendices

Appendix 1 – Labour market indicators