

— **UPSKILLING** YOUR WAY OUT OF THE
WEST MIDLANDS **SKILLS SHORTAGE**



hcrlaw



Titanic's anchors, the steam engine, the first bicycle factory, the largest glass maker, the original computer. Once known as the Workshop of the World, Birmingham and the West Midlands couldn't be touched for invention and innovation – producing world firsts and world records, year on year.

At first glance, this heritage remains – with Coventry's JLR, Staffordshire's JCB, and Birmingham's HS2 training centre. But on closer inspection, it's a region suffering disproportionately from the national skills shortage.

A fifth of the UK's small companies are suffering from skills shortages that prevent them from expanding. But here, it's 1 in 4 vacancies that are now classed as 'hard to fill'. Talent pipelines are trickling and with more adults with no formal qualifications than the rest of the country, both the historic prestige and the future ambition of the West Midlands are at risk.



NATIONAL PICTURE

The Federation of Small Businesses (FSB) has found that 22% of small companies said a shortage of skilled workers would be a 'stumbling block for growth in the upcoming year', with the information, communication, and technology (ICT) sector reporting one of the largest skills gaps. 38% of ICT companies said they were struggling to find workers with the correct skill levels to take up jobs.

A host of UK industries have said that they've struggled with labour and skills shortages over the past two years, as inward migration from the European Union declined after Brexit and the total labour force participation has declined since the COVID-19 pandemic.

So, what to do?

The FSB's Tina McKenzie said companies were struggling to hire 'at all skill levels' and called on the government to maintain an apprenticeship levy which covers the bulk of a company's training costs.

A separate study from the Institute for Fiscal Studies found that high-paid and high-skilled graduate jobs were becoming more concentrated in London and the south of England, forcing graduates in other parts of the country to work in jobs that were below their skills levels. The report said 42% of all graduates in the UK were in a job that did not require a university education, rising from 31% in 1993.

“ **Small businesses are eager to grow but many find themselves at a standstill, with skills shortages putting a brake on their ambitions. At a time where the economy needs it the most, firms are left hamstrung.**

This impact is especially sharp in construction, where small housebuilders are instrumental. As we shift to the digital age, too, it's essential to support the self-employed to branch out and upskill without being held back by the tax system.

Tina McKenzie, FSB

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LOCAL IMPACT

In the West Midlands, vacancies remain above pre-pandemic levels and Greater Birmingham Chamber of Commerce (GBCC) said employers still face 'enduring difficulties' in recruiting the right talent for their workforce.

Emily Stubbs, Senior Policy and Projects Manager at GBCC, said:

“ While vacancies continue to decline, labour market pressures remain high, with pay growth once again outpacing inflation.

Despite local employers facing enduring difficulties attracting the talent they need, unemployment in the West Midlands remains largely unchanged on the quarter and notably above the national average. This is in large part attributable to longstanding skills gaps in the region, exacerbated by the economic impacts of the pandemic.

These remain incredibly challenging times for businesses, and recently announced plans around immigration will put international talent pools out of reach for many employers, making local skills availability all the more important. If the Government is serious about economic growth, it is critical that firms are enabled to invest meaningfully in up- and re-skilling local talent.

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In the West Midlands, a third of people do not reach Level 3 qualifications by the time they're 25 and this may impact on their ability to get a well-paid job.

SKILLS IMPROVEMENT

In October 2023, GBCC published the Birmingham Economic Review which highlighted the importance of stakeholders, educators, and businesses working in partnership – to ensure that local labour is being upskilled to meet employer demand. Last year, the Department of Education published the West Midlands and Warwickshire Local Skills Improvement Plan which identified where there are shortfalls in provision and a lack of knowledge of what is available to employers and individuals.

“ **The Skills Improvement Plan comes at a critical juncture for the region, as organisations look to overcome challenges and grasp opportunities associated with digitisation, the advancement of new technologies and the transition to net zero.** ”

Emily Stubbs, Senior Policy Manager, GBCC

“ **The Plan shows that over 75% of employers in the West Midlands have not engaged with further education colleges and many are uncertain of both how to do this and the benefits of doing so. Collaboration is the key. By combining the strength of our employers within Birmingham with the further education community, a recruitment and skills alliance can be formed to ensure we have access to the best talent with the best progression opportunities, and therefore support our region to be the most economically successful.** ”

Rebecca Waterfield, Director of Business Development,
South & City College Birmingham (SCCB)





APPRENTICESHIPS

Supply outstrips demand in the Midlands

Whilst most businesses know that employers with a £3m+ annual wage bill are obligated to pay into the apprenticeship levy, fewer know that **any employer** can benefit from that shared pot of money to fund their training.

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Primary Care, along with the wider care sector, has experienced significant difficulties in attracting and retaining staff for a number of years. We have found that by investing in apprentices we are able to build a sustainable workforce and with the introduction of higher level apprentices we are able to create a talent pipeline through to degree level positions such as nursing staff. The introduction of the Levy Gifting Scheme, where large employers can gift their levy spend to SMEs makes it even more attractive for both businesses and individuals as the training fees are 100% funded.

Sylvian Thorpe, South Doc Services

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One reason for this is that awareness of the levy, and apprenticeships overall, is low. But the main barrier we're seeing isn't understanding or application, but administration.

The process of setting up an apprenticeship is time and resource intensive – not to mention the ongoing management of the programme, and the fact that the levy money can only be used for the learning aspect, not the salary, is a barrier.

But SMEs, which dominate the business make-up of the Midlands, are the least likely to take advantage of this resource, despite needing it the most, and despite not being obligated to pay into it.

When you combine the onboarding time, management, and extra payroll cost – the chips are stacked against SMEs. They have the least amount of time to solve their problems, and less access to capital to fund salaries for trainees.



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What we're seeing from some of our Midlands clients is growing frustration. They have good strategies, good products, and good facilities – but they can't get good people onto the shop floor fast enough. Those with the time, energy, and money to launch apprenticeships are enjoying huge successes – but the irony is that the ones who need it most are the ones least equipped to make it happen, through no fault of their own.

Omer Simjee, HCR Law

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The GBCC is championing employers' needs for support with the admin:

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The providers we work with do everything they can to reduce the administrative burden of apprenticeships for employers, but it does remain a challenge - particularly for small and medium sized organisations. We are continuing to raise this with the Department for Education as a key obstacle to increasing uptake of apprenticeships and facilitating upskilling across the region.

Emily Stubbs, Senior Policy Manager, GBCC

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There is certainly a gap in the market for an “Apprentices-Done-For-You” service, but right now (and for businesses with immediate upskilling needs) large employers may well be better advised to look elsewhere to a more rapid response training solution that already exists – and is even more underutilised than apprenticeships.

ADULT EDUCATION

The missing piece of the puzzle

West Midlands Combined Authority (WMCA) holds £167m annual funding devolved from Central Government for Adult Education and skills provision in the region.

The WMCA is committed to ensuring that every resident has the opportunity to reach their potential by providing training and support to help people access good jobs.

They also work with local and national businesses to ensure that business growth is accelerated through access to a skilled workforce.



WMCA worked with OCS Group UK to initiate funded Sector-Based Work Academy Programmes (SWAPs) to support local job seekers and the regional economy through training courses of up to six weeks. OCS was selected to provide security services for the Birmingham 2022 Commonwealth Games.

Lucy Haddon, Head of Engagement & Experience at OCS Group UK said:

“ Down the line, with Adult Education upskilling workers and creating gaps beneath, if the business grows then the bandwidth and capital for apprenticeships becomes available.

As a gateway to enabling a more apprenticeship-positive future, as well as an immediate upskilling opportunity for incumbent staff, Adult Education is a strong contender to be a solution.

Omer Simjee, HCR Law

“ Everybody we’ve taken on for the Commonwealth Games is still on our books and we’re even holding an engagement event to demonstrate the wider roles within OCS to see if there’s full-time or supervisory management roles they might be interested in. So for us, it’s about long-term, sustainable employability.

One great example of this is a SWAP candidate that worked as a steward whilst they were waiting for the SIA licence to come through. After a shout out for admin support during the Games, they became a huge part of the OCS recruitment campaign and helped on-board individuals for other SWAPs! That person is still on our books and working for us today.

WMCA funds hundreds of courses, in sectors as diverse as health and social care, civil engineering, painting and decorating, electric installation, and roofing.

An example of a business that has been proactively encouraging its employees to train and upskill is LJM Homecare. By helping their employees access and enrol on WMCA funded Level 3 training courses they have improved their business and the quality of the care they can provide. The health and social care sector is a major part of the West Midlands economy and LJM’s commitment to provide rewarding career options for local residents is a great example for other small businesses in the region.

WMCA funded courses are available to all residents in England aged 19 and above and are free for anyone who do not currently have a Level 3 qualification or earns below £30k. For employers it can be a challenge to recruit staff that have the skills they need so it is beneficial for them to not only work with training providers to offer apprenticeship and work experience opportunities but to also encourage their staff to take up skills and training.

West Midlands Mayor, Andy Street, announced in February 2024 funding of £27m to be used by WMCA to run bootcamps which have been carefully designed to meet the skills needs of businesses operating in fast growing sectors where demand is high for skilled workers: advanced manufacturing, digital, green technology and the creative sector.

The bootcamps are free of charge for West Midlands residents over the age of 19, open to both individuals and businesses.

BESPOKE TRAINING & NICHE SKILLS

South & City College Birmingham: National Express, Balfour Beatty Vinci and HS2

With an ageing and experienced workforce, but without the requisite number of young mechanics coming through to learn from and replace them, National Express approached South & City College Birmingham (SCCB) to create an apprenticeship academy within the college, replicating the workshops that mechanics would work in on-site.

Balfour Beatty Vinci (BBV), as main contractor for HS2, had a requirement to recruit a large number of groundworkers. Through collaboration with SCCB, the BBV skills academy was formed to support local unemployed residents to gain the skills needed to enter employment. A bespoke groundworker apprenticeship is being launched to provide a sustainable talent pipeline.

HS2's approach, targeting and training the unemployed, may look philanthropic – but it's also strategically tailored to the West Midlands.

We have more deprived areas than the rest of the UK, we're behind national average in qualification levels, and we have more working-age people without formal qualifications.

For these reasons, the Department for Education has forecast that the West Midlands will also be the slowest region to reduce its 'no qualifications' status. In 2022, this actually rose by 0.3%.

There is also premium available for recruiting apprenticeships from deprived areas, where many of these skills shortages exist and where factories and plants are often also situated. Employers can also obtain a £1000 grant for taking on 16–18-year-old apprentices, or 19–24 year olds with an education care plan.

“ The best work with apprenticeships is being done on programmes which are nuanced, niched, and bespoke. Where there is an acute need in a new or highly skilled field, those organisations go to further education. Below that, you are seeing resistance to having courses designed for them. This is, in part, down to the skills shortage itself. Because businesses are struggling to find and keep managers, who are required to manage apprentices, the apprenticeship is seen as a resource drain. It's no surprise that apprenticeship success is being seen by employers like National Express, JLR, and HS2 – they have the means. ”

Omer Simjee, HCR Law



SO WHAT CAN YOU DO TO UPSKILL YOUR WAY OUT OF THE WEST MIDLANDS SKILLS SHORTAGE?

Skills road map

1

Complete a skills gap analysis

Align it to your business strategy and split it by team, department, or need

Download our free guide to preparing a skills gap analysis



2

Identify your hidden gems

Look for the people in your workforce with the ambition to do more or do something different

3

Prioritise the gaps to fill

Decide which skills you need to fill which gaps, and which gaps can be 'filled' via operational changes

4

Facilitate and reward upskilling

Put mentors and buddies in place or explore secondment opportunities. Make upskilling attractive by reducing workloads or paying bonuses

5

Create proper career planning

Show people their paths and help them to get there with training, mentoring, and check-ins

6

Find funding

Explore grants and programmes that reduce the financial burden on your business

7

Explore technology

Your skills gap might not need humans to fill it. What auto-innovations are your competitors using?

8

Provide for mental health

If you're asking your staff to do more, support them during the process

9

Review productivity

Some skills gaps aren't gaps at all. If something isn't getting done, is there another reason why?

At HCR, Future Workspaces is our ongoing mission to help UK employers deal with the challenges posed by a revolution in the workplace and with its workforce. It started life as an exploration of tomorrow's office, then became a guide for the post-pandemic world, now it's a plan for the future.

To find out more visit www.hcrlaw.com/insight/future-workspaces

OUR TEAM

Head of Birmingham Office



Rebecca Leask

Our dedicated experts support businesses to thrive and be successful. We know the challenges you're facing and can help you at every step in your journey.

Employment and Immigration



Omer Simjee

Becoming an employer of choice isn't an overnight job. Our team helps businesses and their employees navigate employment law so you know you're making the right choices and are fit for the future.

Banking and Finance



Hannah Oseland

If you want to invest in your business or grow your workforce, we can help you find the best funding solution. Our team will make sure you get the right financial arrangement, whatever your plans.

Commercial



Gurinder Hayer

As you redefine your workforce and adapt your business, we can help ensure your commercial contracts are fit for purpose and you're protected.

Corporate



Alison Scott

If part of your strategy for growth or future proofing your business involves a merger or acquisition, or selling your business to raise funds, we're your trusted advisors.

Dispute Resolution



Clare Murphy

Disputes happen, but if your business or workforce is growing or changing, you need to be protected. If the worst happens, we'll help you understand the risks, strategise and move forward.

Family Law



Victoria Fellows

We advise on issues affecting every kind of family – including divorce, matters involving children, wealth protection and international family law.

Private Client



Laura Banks

We draft wills, set up trusts, mitigate tax liabilities and administer estates to ensure the future of your family and your business is protected.

Real Estate



Michael Bennett

If addressing workforce needs means adding to or adapting your real estate portfolio, our property and planning experts will provide the legal advice you need.

Restructuring and Insolvency



Stuart Taylor

If your business is facing financial pressure our team can help you find the best possible way forward. We'll work with you, ensuring your business and your workforce are protected.



In 2024 we're committed to helping our clients identify where their skills challenges are coming from, how to deal with them, and where to find help. As a full service law firm, we can support you with every aspect of adapting your workspace and employing your people. Our workforce, immigration, employment, and sector specialists are on hand to help you tackle any legal and professional obstacles in your path.

Thank you to Greater Birmingham Chamber of Commerce, West Midlands Combined Authority, and South & City College Birmingham. They can support you with your skills shortage challenges – from mapping the developmental needs and skills of your workforce to securing funding for external training.

Get in touch to find out more.



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