

# Measuring Sector Skills Gaps: A Regional Analysis of a local labour market

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## Abstract

A limited number of academic studies explore the issue of skill gaps and any dampening effect on the UK economy. The problem with skills is that they are difficult to measure, decline or alter over time, may be employer specific, accredited versus unaccredited and reflect current demand in a local labour market. Understanding the relationship between regional economies and productivity requires an appreciation of regional assets, both *hard* and *soft*. A key asset is the quality and skills of the labour force within a travel-to-work area combined with an appreciation of employer demand; quality is difficult to measure but skill levels can be assessed using proxies based on accreditation, for example, national vocational qualifications (*NVQs*). The difficulty is in identifying the relationship between the available skilled population in a local labour market and actual or potential demand. This is not about employability or unemployment but in developing a technique that relates employer demand with current and near future supply in a local labour market. It is this challenge that is explored in this paper.

Our study aims at providing an in-depth analysis of skills gap, and provide a framework that covers England in addition to three main local enterprise partnership areas in West Midlands: Black Country, Greater Birmingham and Solihull and, Coventry and Warwickshire. The models are estimated over the period *2004:2020*. The variables included in each region specific model are: a set of indicators to reflect the economic value of the government funded qualifications including government training, voluntary sector providers, colleges and private training providers and consist of different NVQ levels, economically active working age population (demography), and labour demand (current and projected) for twelve main sectors. Based on Labour Force Survey data we forecast supply of skills by NVQ levels in each local authority of economically active working age population, and based on economically active working age population forecasts we calculate absolute number of people with specific NVQ levels. A further module has been added in an attempt to provide useful information on possible labour market imbalances and skill mismatches in West Midlands. This module compares the skill demand and skill supply projections (focusing on qualifications) and attempts to reconcile the two. Thus, this study provides both a detailed picture of the UK's skill situation as well as the desired skills needs to be developed in the labour market, and aids future decisions on both whether more should be done to tackle skills gap and how this is best done in practice.

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