

Covid-19 Crisis: Current Impacts on the Cheshire and Warrington Labour Market

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BRENNAN WILSON LTD

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1. Introduction

This short report provides a round-up of key labour market indicators that have been published in May and early June. It brigades what we know about the national position alongside information about Cheshire and Warrington. It also summarises key feedback received by the LEP from education and skills stakeholders, including members of the LEP's Data and Labour Market Steering Group.

It has two sections

- Labour Market Indicators
- Stakeholder Feedback

The May report had a further section on Economic Indicators. The headline from this was that GDP forecasts were in the range of a contraction of -7% to -13%. This remains the case with the OECD forecasting a contraction for the UK of 11.5% (higher than the OECD forecast for any other developed economies). Some forecasters are modelling the impact of a possible second wave which would see a further deterioration in 2020 output in the UK.

The intention is that a report like this will be produced monthly for the next few months. Feedback on the content and scope of this second report would be very welcome.

2. Key Points

- HMRC report that 109,300 Cheshire and Warrington residents were on furlough at the end of May
- It is estimated that at least 118,000 employees of Cheshire and Warrington businesses were on furlough at the end of May
- 569 of 574 Lower Super Output Areas (ie neighbourhoods) in Cheshire and Warrington saw a rise in the claimant count between March and April
- Unique job postings online for vacancies in Cheshire and Warrington declined by 45% between March and May.
- The decline of job posting in Cheshire and Warrington has been higher in every main occupational area compared to England
- Nationally there was an overall 50% decline in Apprenticeship starts comparing April 2020 with April 2019, and a 74% decrease in 16-18 Apprenticeship starts.
- 2019/20 data confirms that August, September and October have been the peak months for Apprenticeship recruitment in Cheshire and Warrington.
- It is estimated that 5,300 18 year olds and 1,400 16 year olds will be 'at risk' this summer in Cheshire and Warrington because of the expected decline in apprenticeship and employment opportunities.
- Stakeholders report a range of concerns regarding 'digital poverty'; about how the crisis will impact on transition at 16; and the continued weakness in the Apprenticeship sector.

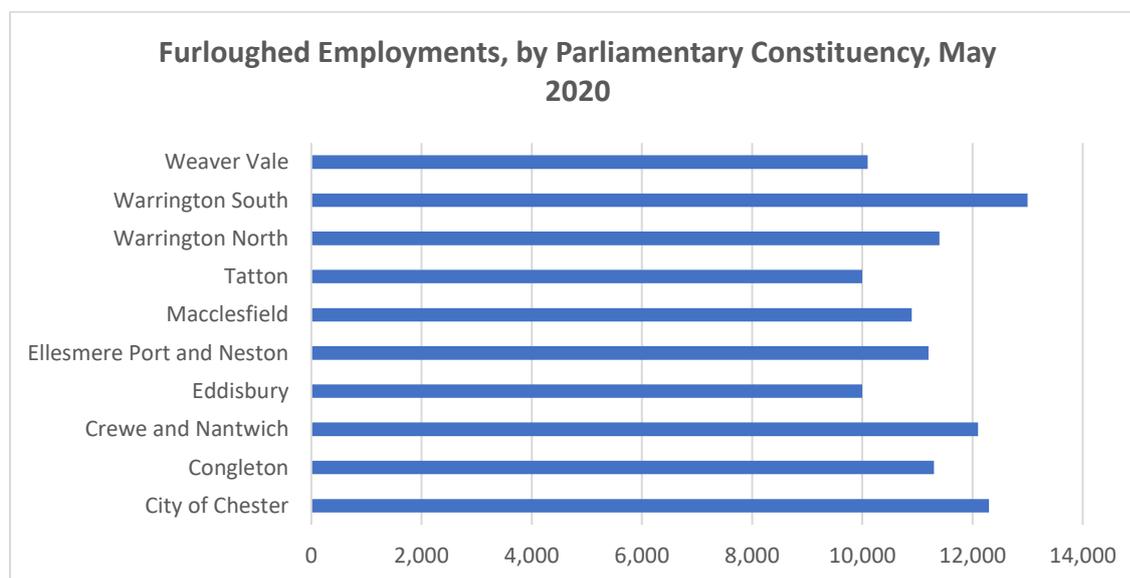
3. Labour Market Indicators

3.1 Coronavirus Job Retention Scheme

The Government has now published data on the Coronavirus Job Retention Scheme (CJRS). This is the Government scheme that enables employers to furlough their employees. The data for Cheshire and Warrington and the three local authorities is presented in the table below.

Furloughed Employments, Local Authority and Cheshire and Warrington	
Cheshire East	43,400
Cheshire West And Chester	41,400
Warrington	24,500
Cheshire and Warrington	109,300
<i>Source: HMRC Coronavirus Job Retention Scheme (CJRS) Statistics: May 2020</i>	

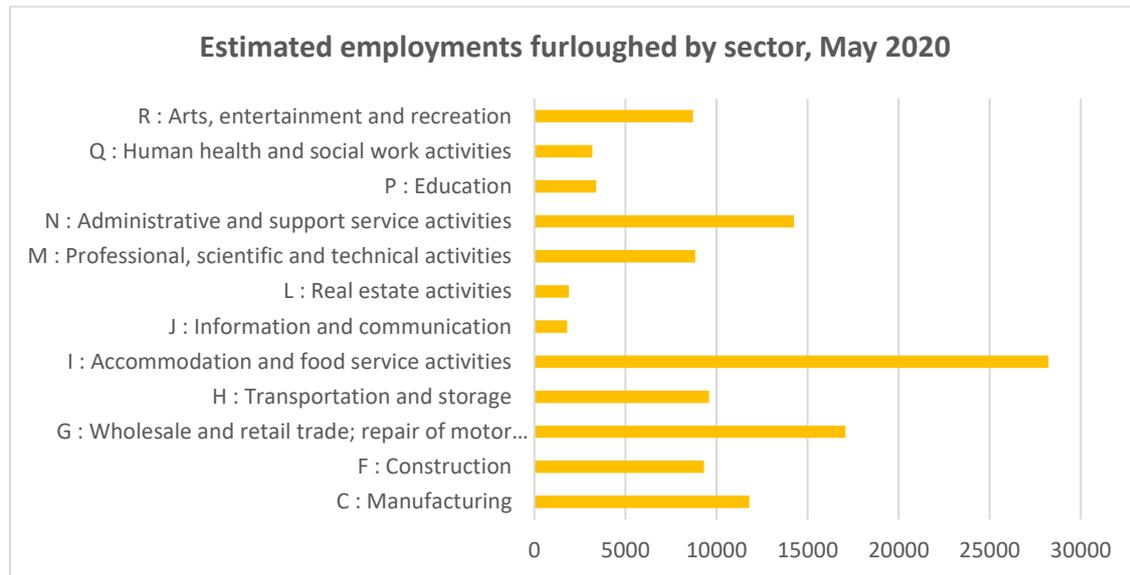
Data is also published by the Government for parliamentary constituencies as set out in the chart below. It can be seen from this that take up of CJRS is widespread and fairly evenly distributed, being in the range of 10,000 residents receiving support in both Tatton and Eddisbury through to 13,000 receiving support in Warrington South.



Source: HMRC Coronavirus Job Retention Scheme (CJRS) Statistics: May 2020

HMRC do not publish sectoral data on furlough support by LEP area. However, the Office for National Statistics (ONS) has published national estimates of the percentage of the workforce supported in different sectors (derived from answers to its two-weekly 'Business Impacts of Coronavirus Survey' – BICS). It is possible to apply these estimates to the numbers employed in each sector in Cheshire and Warrington. This has been done in the chart below (ONS has been asked to provide data on Finance and Insurance which is missing from their national report).

It is estimated that 28,000 employees are currently furloughed in the Accommodation and Food Service sector in Cheshire and Warrington. Administrative and Support services; Wholesale and Retail Trade; and Manufacturing are all estimated to have furloughed over 10,000 employees. In total it is estimated that at least 118,000 employees of Cheshire and Warrington employers have been furloughed.



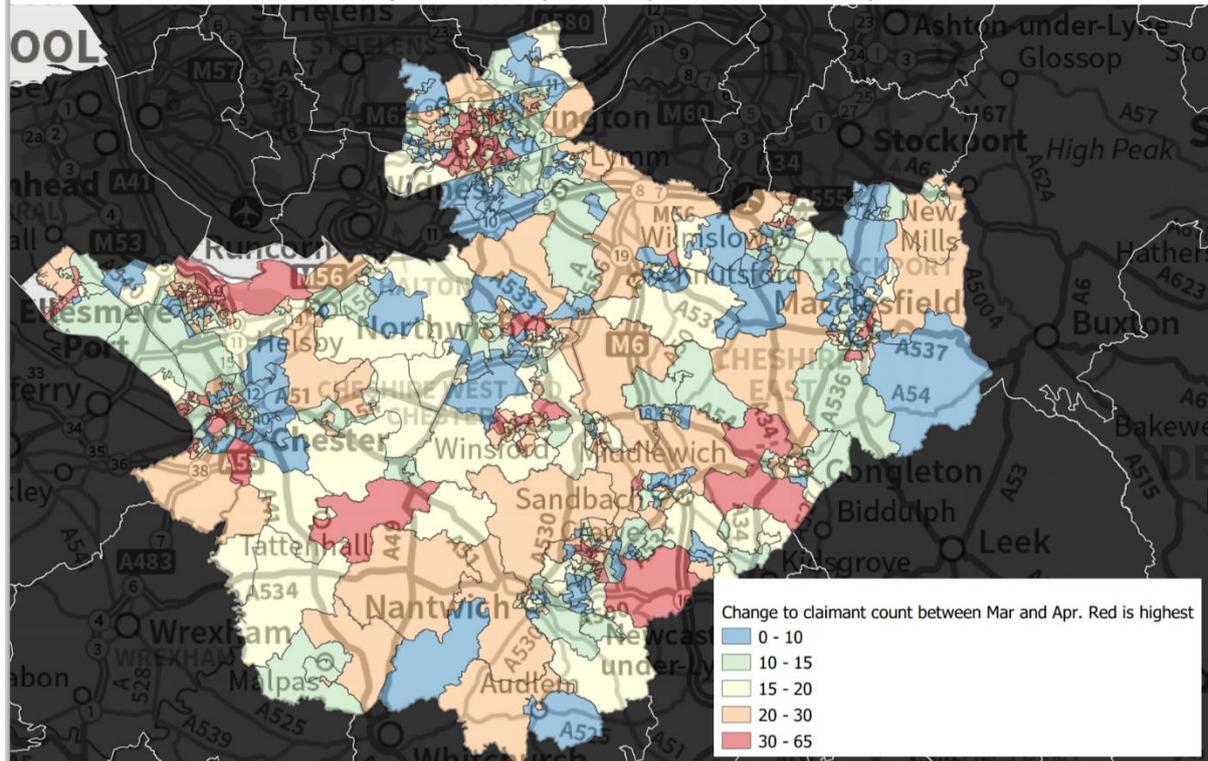
Source: Brennan Wilson Ltd analysis of ONS BICS Wave 5 and BRES

3.2 Claimant Count

Analysis of the data published in the claimant count last May was included in last month's report and will not be repeated in detail here. The national increase in the claimant count between March and April was reported as being the largest monthly increase since publication of the data began in 1971 and the monthly increase in Cheshire and Warrington was 88% (66% in Great Britain).

It has now been possible to analyse the increase in the claimant count that was reported in May by Lower Super Output Area (LSOA). An LSOA will typically encompass a geography smaller than an electoral ward, normally being a well-defined neighbourhood/community and, on average, will contain 1,500 residents (minimum 1,000). The highest increase in the claimant count between March and April in a Cheshire and Warrington LSOA was 65 (2 LSOAs in Cheshire west and Chester, 1 in Warrington). The map below maps the increase for Cheshire and Warrington as a whole, red shows the highest increases, blue the lowest. 569 of the 574 LSOAs in Cheshire and Warrington saw an increase in the claimant count, 5 saw no change.

Claimant Count increases by Lower Super Output Area, Mar-Apr 2020



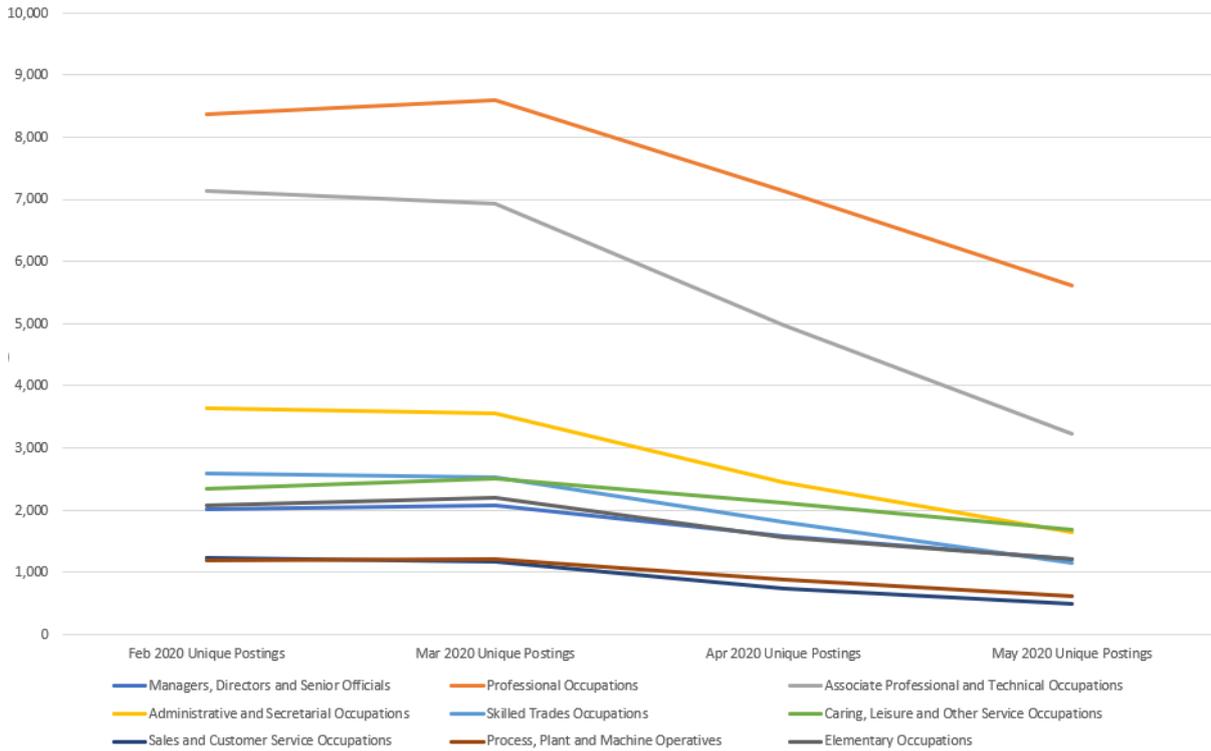
Map by Brennan Wilson Ltd in QGIS. Data from the Claimant Count, ONS and OS

3.3 Vacancies

The LEP has access to job vacancies data that EMSI collect by ‘scraping’ information from online job postings. Unique job postings in Cheshire and Warrington have fallen from 30,736 in March to 23,232 in April to 16,853 in May; a decrease of 45% between March and May. As can be seen from the chart below, there have been decreases in job postings in all occupational areas. There are four occupational areas that have seen decreases in unique job postings of more than 50% between March and May. These are:

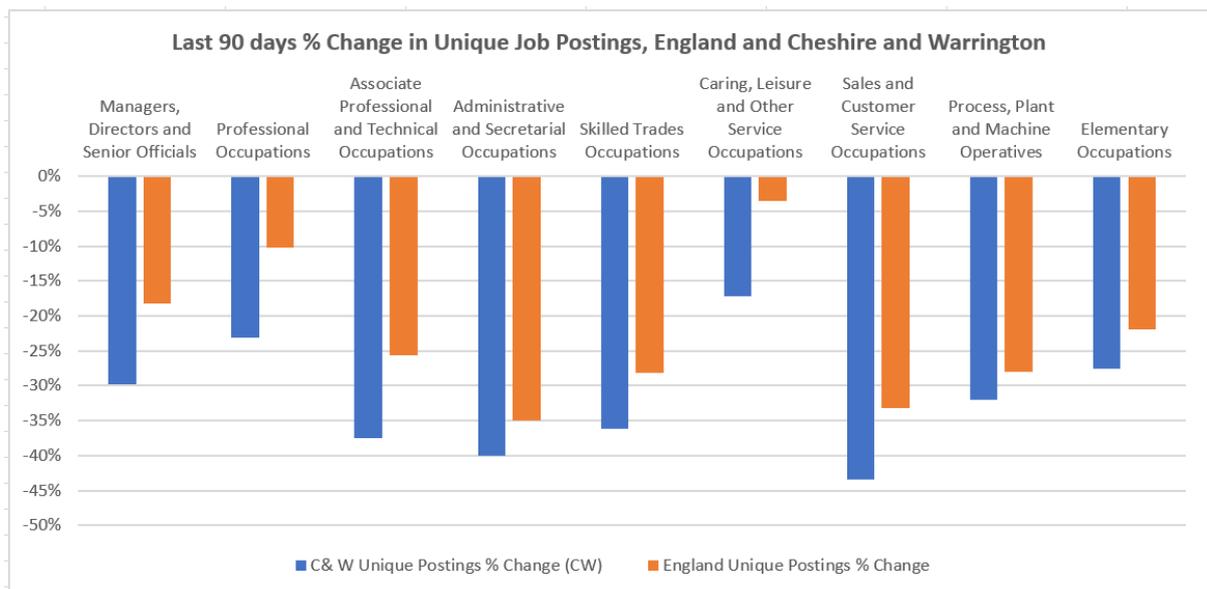
- Associate Professional and Technical Occupations
- Administrative and Secretarial Occupations
- Skilled Trades Occupations
- Sales and Customer Service Occupations

Monthly Unique Job Postings Feb-May 2020



Source: EMSI Analyst

Considering job postings made between March 14th and June 11th, and comparing data for Cheshire and Warrington with data for England, it can be seen from the chart below that, for every occupational area there has been a sharper decline of unique job postings in Cheshire and Warrington.



3.4 Apprenticeships

The Government has recently published data on Apprenticeship starts for April 2020 compared to April 2019, as well as data on Apprenticeship starts for the first two quarters of the 2019/20 academic year (August 2019-Jan 2020).

It can be seen from the table below that the impact of the pandemic on national apprenticeship starts has been a reduction of 51% (13,310) when starts in April 2019 are compared with starts in April 2020. The reduction in starts has been 74% for 16-18 year olds, 55% for 19-24 year olds and 42% for those aged 25 and over. This differential reduction in apprenticeship starts by age is likely to be connected to the fact that the younger the age of an apprentice, the more likely it is that they will be a new employee.

	2018/19 (at this point last year)		2019/20 (reported to date)	
	Apprenticeship starts	Proportion of total	Apprenticeship starts	Proportion of total
Total starts	26,330		13,020	
Age				
Under 19	4,020	15.3%	1,040	8.0%
19-24	7,610	28.9%	3,390	26.1%
25+	14,700	55.8%	8,590	66.0%

Source: Apprenticeships and Traineeships, England: update May 2020

In addition to starts declining at different rates for different ages, it is clear from the national data for April 2019 and April 2020 that some sectors have been more resilient than others in the current crisis. The table below provides information on April 2019 and April 2020 apprenticeship starts by Sector Subject Area (SSA). From this it can be seen that starts in the Sector Subject Areas 'Construction, Planning and the Built Environment'; 'Engineering and Manufacturing Technologies'; and 'Retail and Commercial Enterprise' have all declined more sharply than is the case for starts overall.

Conversely, SSAs that have been more resilient in the current crisis have included: 'Business, Administration and Law'; 'Education and Training'; 'Health, Public Services and Care'; and 'Information and Communication Technology'; all of which have seen smaller decreases in starts than the overall national decrease.

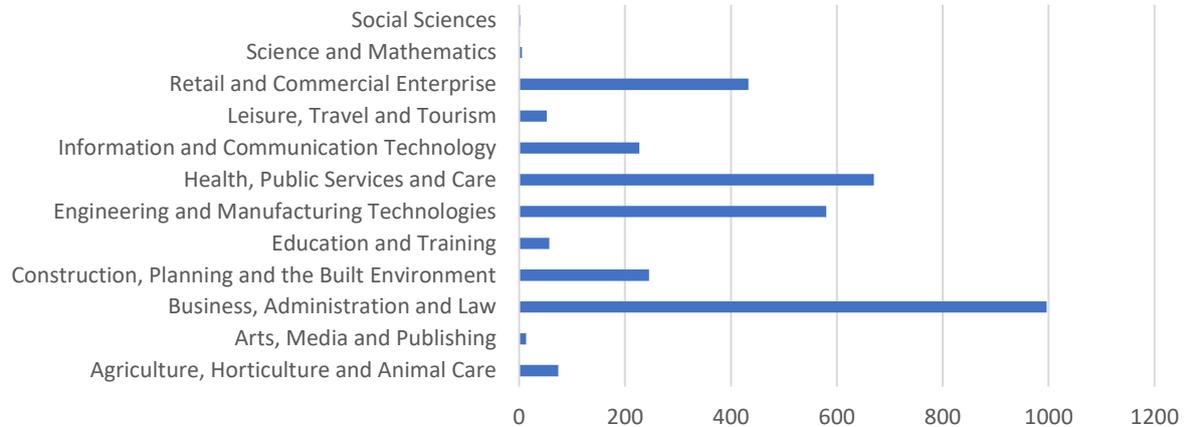
	2018/19 (at this point last year)		2019/20 (reported to date)	
	Apprenticeship starts	Proportion of total	Apprenticeship starts	Proportion of total
Level				
Intermediate Apprenticeship	9,680	36.8%	2,950	22.7%
Advanced Apprenticeship	12,150	46.2%	5,670	43.5%
Higher Apprenticeship	4,500	17.1%	4,400	33.8%
Sector subject area				
Agriculture, Horticulture and Animal Care	260	1.0%	110	0.9%
Arts, Media and Publishing	50	*	70	0.5%
Business, Administration and Law	7,990	30.3%	4,730	36.3%
Construction, Planning and the Built Environment	650	2.5%	180	1.4%
Education and Training	380	1.5%	300	2.3%
Engineering and Manufacturing Technologies	2,410	9.2%	620	4.8%
Health, Public Services and Care	8,140	30.9%	4,410	33.9%
Information and Communication Technology	1,560	5.9%	1,210	9.3%
Leisure, Travel and Tourism	330	1.3%	120	0.9%
Retail and Commercial Enterprise	4,560	17.3%	1,260	9.7%
Science and Mathematics	-	*	10	*

Source: Apprenticeships and Traineeships, England: update May 2020

The national Apprenticeship data release discussed above does not provide April 2020 information at LEP or Local Authority level. However, LEP and Local Authority data is available for the first two quarters of the 2019/20 academic year (Aug 2019 – Jan 2020). Apprenticeship starts by SSA in Cheshire and Warrington for this period are set out below. Six SSAs had starts of more than 200:

- Retail and Commercial Enterprise
- Information and Communications Technology
- Health, Public Services and Care
- Engineering and Manufacturing Technologies
- Construction, Planning and the Built Environment
- Business, Administration and Law

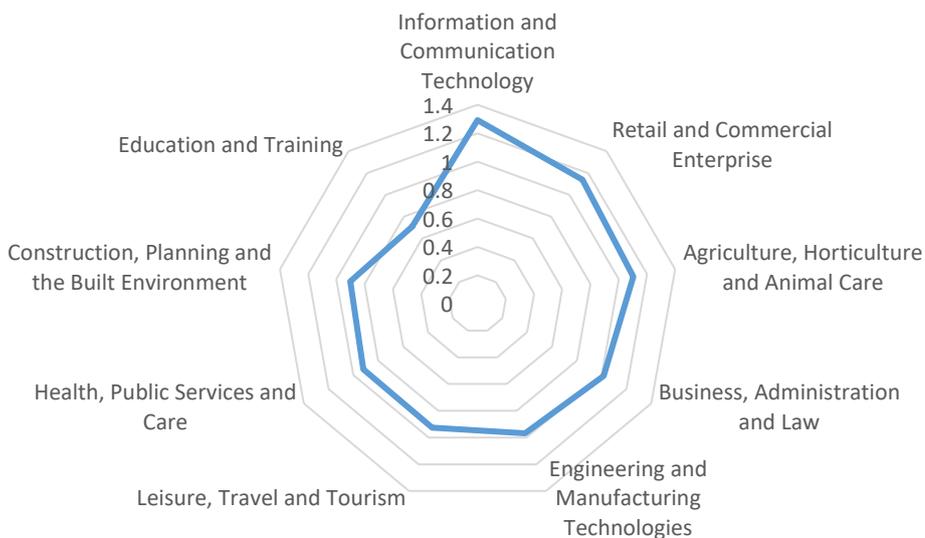
Apprenticeship Starts by SSA in Cheshire and Warrington, Aug 2019 - Jan 2020



Source: Apprenticeships and Traineeships, England: update May 2020

Comparing the proportion of Apprenticeship starts by SSA in Cheshire and Warrington with the proportion of SSA starts nationally makes it possible to generate a Location Quotient (LQ) for the delivery of each SSA in Cheshire and Warrington. An SSA with an LQ of 2 means that Cheshire and Warrington has had twice as many starts in that SSA than the national proportion would suggest; an LQ of 0.5 means that Cheshire and Warrington has had half as many starts as might be expected. The Chart below plots the LQs for SSAs in Cheshire and Warrington (with more than 20 starts), based on starts in the first two quarters of the 2019/20 academic year.

Location Quotient of Cheshire and Warrington Apprenticeship SSAs



Source: Apprenticeships and Traineeships, England: update May 2020

It can be seen from this that the pattern of delivery in Cheshire and Warrington is quite similar to that nationally. Only three SSAs have LQs with a variance bigger than + or – 0.1 from 1. They are Information and Communication Technology (LQ of 1.29), Retail and Commercial Enterprise (1.14) and Education and Training (0.71). This means that in the coming recession, sector effects on Apprenticeship starts will play out in Cheshire and Warrington in a similar way to nationally.

The table below sets out apprenticeship starts in the first two quarters of the 2019/20 academic year, by month and age. It can be seen from this that 78% of 16-18 starts took place in August, September, and October; and 62% of 19-24 and 25+ starts happened in these three months. It is expected that August, September and October in 2020 are the months when labour market conditions will be most challenging.

Cheshire and Warrington Apprenticeship Starts Aug 2019 - Jan 2020				
Row Labels	19-24	25+	Under 19	Grand Total
January	87	200	68	355
August	111	132	102	345
September	442	381	511	1334
October	173	301	194	668
November	112	200	112	424
December	78	99	51	228
Grand Total	1003	1313	1038	3354

Source: Apprenticeships and Traineeships, England: update May 2020

The Table below sets out the employment duration prior to starting an apprenticeship, by age, in Cheshire and Warrington, for the first two quarters of 2019/20. For 16-18 year olds, 81% had been employed less than 3 months before starting an apprenticeship, this is the case for only 21% of those aged 25 or over. This confirms that, for young people, they tend to be recruited to positions as apprentices; whereas for older apprentices, they are often established members of staff for whom an apprenticeship standard is the appropriate next step in their development.

Employment duration prior to starting an apprenticeship, by age, in Cheshire and Warrington, first two quarters of 2019/20				
Row Labels	19-24	25+	Under 19	Grand Total
Learner has been employed for 4 months – 6 months	72	109	46	227
Learner has been employed for 7 months - 12 months	71	117	26	214
Learner has been employed for more than 12 months	319	799	98	1216
Learner has been employed for up to 3 months	538	281	844	1663
Unknown	3	7	24	34
Grand Total	1003	1313	1038	3354

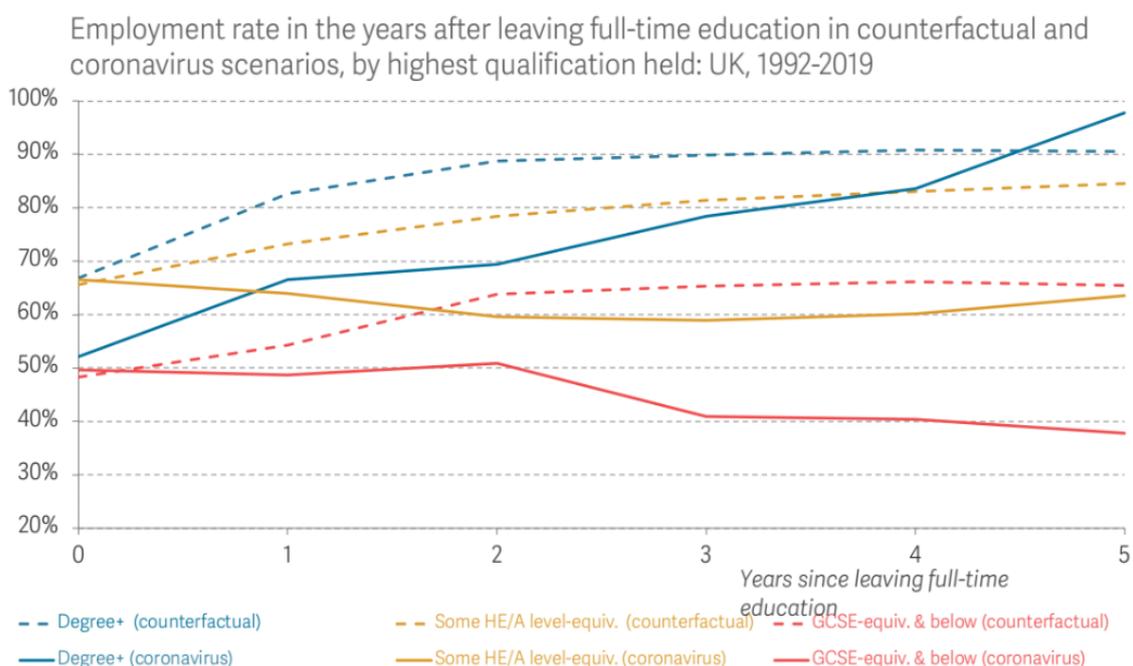
Source: Apprenticeships and Traineeships, England: update May 2020

This is likely to explain why 16-18 apprenticeship starts declined so sharply in April 2020. Employers have generally not been recruiting new employees during lockdown. This reluctance to start new recruits is likely to continue for a number of months, particularly in those sectors whose path from lockdown will be slowest and most difficult (Wholesale and retail trade; Arts entertainment and

recreation; and, Accommodation and food service activities), but also in those sectors that may experience reductions in demand (Manufacturing; Construction; and, Real estate activities).

3.5 Young People at Risk

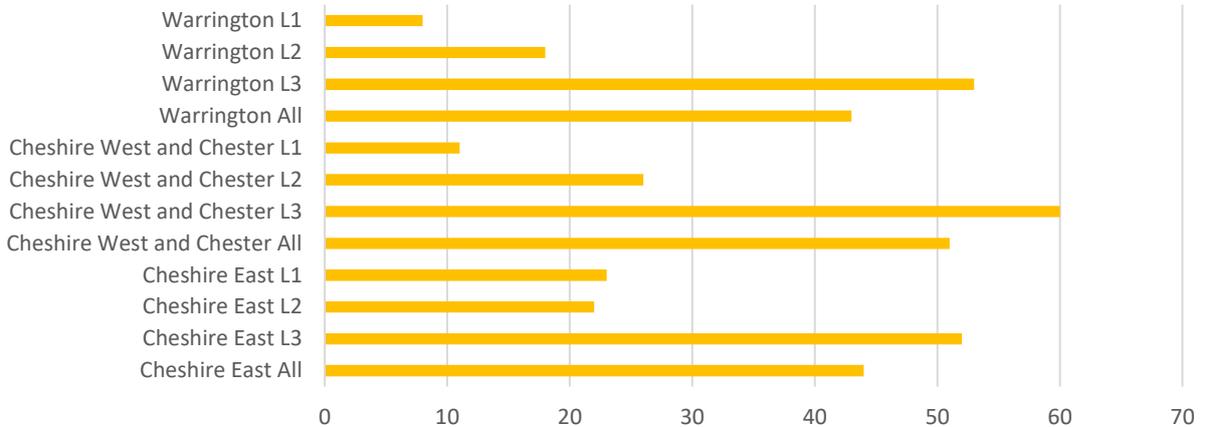
Projections by the Resolution Foundation (which are based on evidence from the years following the financial crash) suggest that employment rates for lower qualified education leavers three years after leaving education could be as low as 40%.



At the end of Key Stage 5 (KS5), 18 year olds will progress to: a sustained place in education; sustained employment; a sustained apprenticeship; or they will not sustain a positive destination. In the summer and autumn of 2020, it will be much more challenging for young people to get a job or an apprenticeship. 18 year olds who would otherwise become employed or secure an apprenticeship should be considered 'at risk' this year.

The Chart below shows the percentage of 18 year olds that secured a sustained place in education by educational attainment Level and Local Authority in 2017/18. From this, it can be seen that 43% of Warrington KS5 Leavers moved to sustained education. The figures for Cheshire West and Chester and Cheshire East are 51% and 44% respectively. The percentages for those qualified at Level 1 and 2 securing a sustained education destination in all Local Authorities are significantly lower.

Key Stage 5 Leavers moving to education by Educational Attainment Level in Cheshire and Warrington Local Authorities 2017/18



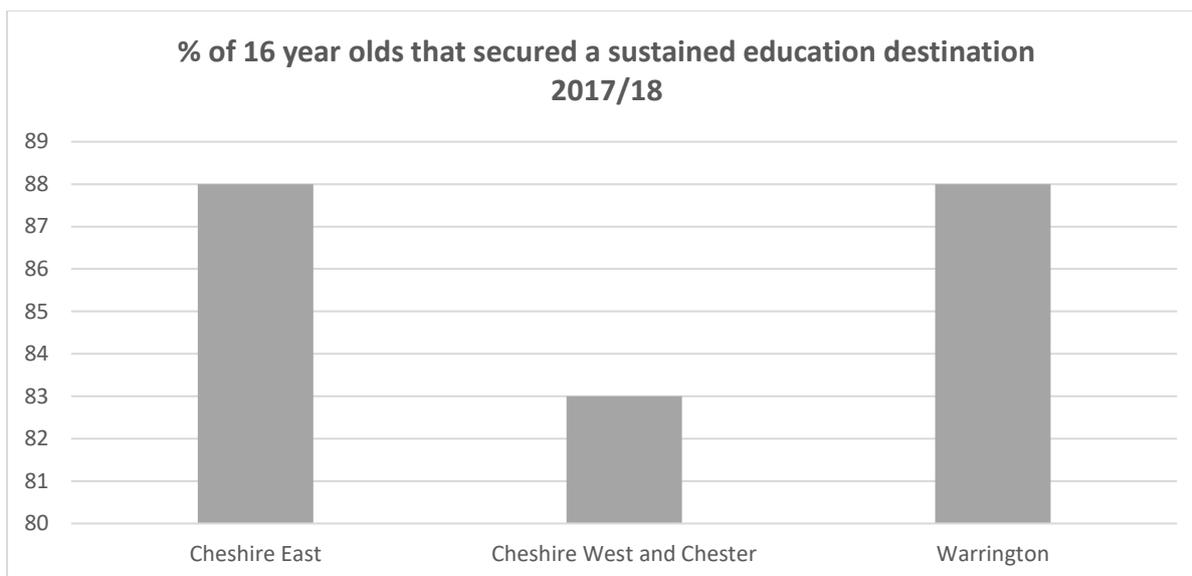
Because of the very difficult labour market conditions that will obtain for the remainder of this calendar year, all those leaving the KS5 stage of education will be at risk of unemployment or economic inactivity, unless they can secure a sustained destination in education. The Table below seeks to quantify the number of 18 yr olds 'at risk' in this way based on historic KS5 destinations data. By this calculation, there will be 5,336 18 year olds at risk in Cheshire and Warrington in the labour market this summer.

Estimated numbers of 18 yr olds at risk of unemployment or economic inactivity in the summer of 2020

Local Authority	18 yr old popn in 2020	% of cohort 'at risk' based on 2017/18 destinations	Estimated number 'at risk'
Cheshire East	4, 033	56%	2, 258
Cheshire West and Chester	3, 427	49%	1, 679
Warrington	2, 455	57%	1, 399
Cheshire and Warrington	9, 915	54%	5, 336

Source: ONS 2018 ward popn. estimates (16 yr old) and Department for Education KS5 Destinations

There is also concern that 16 yr olds will be adversely affected because of the Labour Market conditions. For the reasons explained above any intended destination, other than a sustained place in post-16 education, will put 16 yr old school leavers at risk in the labour market. The chart below sets out the percentage of 16 year olds that secured a sustained place in education in 2017/18 in the three Local Authorities of Cheshire and Warrington.



The Table below provides an estimate of the number of 16 yr olds in Cheshire and Warrington that are at risk of NEET this summer. This is calculated from applying the percentage of the cohort that did not secure a sustained place in education in 2017/18 to the estimated population of those aged 16 in 2020. Using this methodology suggests that there are approximately 1,400 16 year olds at risk of NEET in Cheshire and Warrington because of the adverse labour market conditions this summer.

This estimate could understate the problem. This is for at least two reasons. Firstly, normal practice has been for post-16 providers to organise ‘keep warm’ activities for 16 year olds in transition who have been offered a place on a Study Programme. This practice has previously kept young people ‘engaged’, but social distancing requirements mean that it cannot be delivered in the same way as has previously been the case. Secondly, peer-group social ties are important for cementing young people’s engagement in a (new) post-16 learning environment. Social distancing requirements may undermine this. Providers elsewhere in the country have estimated that the capacity of providers to house learners will be reduced to 30% of their pre-Covid-19 capacity.

Estimated numbers of 16 yr olds at risk of NEET in the summer of 2020			
Local Authority	16 yr old popn in 2020	% of cohort ‘at risk’ based on 2017/18 destinations	Estimated number ‘at risk’
Cheshire East	4, 260	12%	511
Cheshire West and Chester	3, 682	17%	626
Warrington	2, 438	12%	293
Cheshire and Warrington	10, 380	14%	1, 430

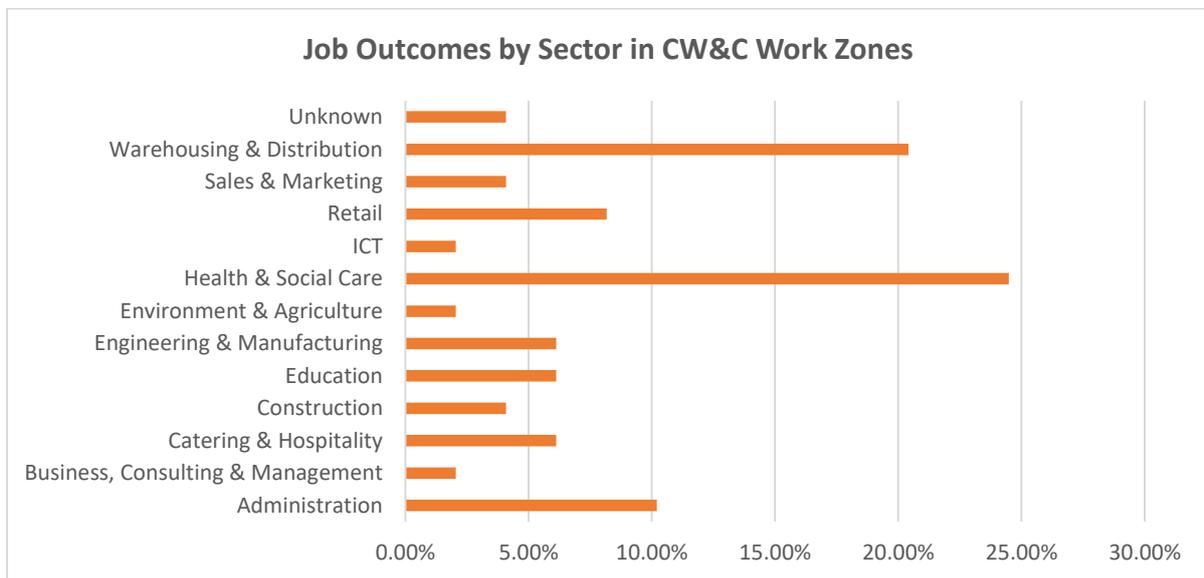
Source: ONS 2018 ward popn. estimates (14 yr old) and Department for Education KS4 Destinations

4. Stakeholder Feedback

The partners involved in the Data and Labour Market Steering Group convened by CWLEP have agreed that it would be helpful to share intelligence about how the local labour market and skills system is being impacted by the C-19 pandemic. To this end, individual partners have agreed to provide periodic feedback to the LEP on issues and intelligence. June’s feedback is summarised in this section.

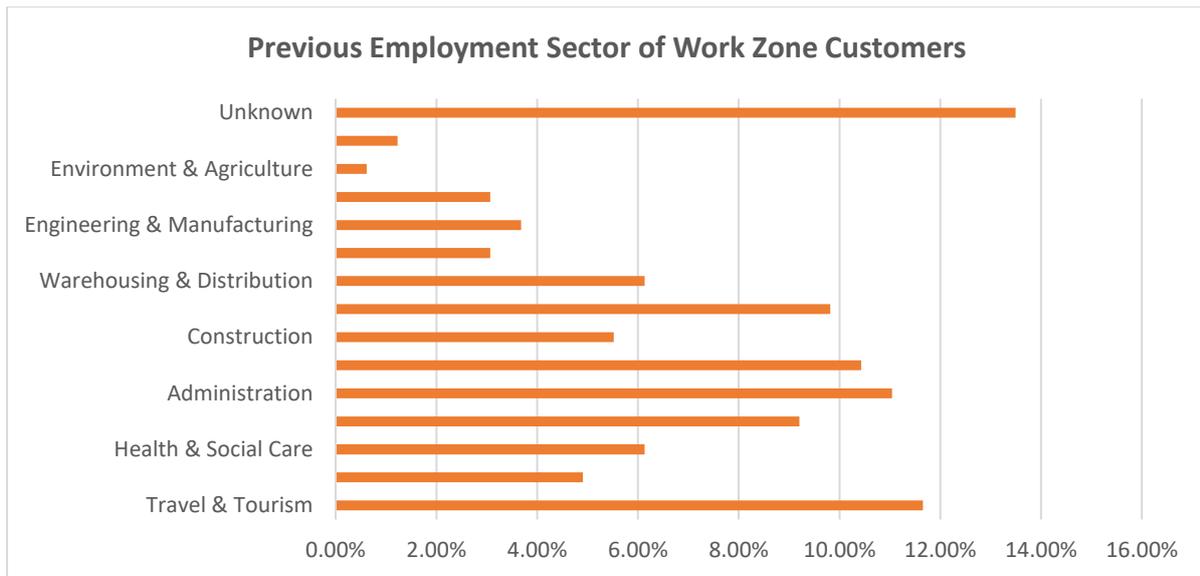
4.1 Work Zone Management Information

The chart below provides information about the sectors where CWAC Work Zone customers have successfully secured employment. 45% of positive outcomes have been in Health and Social Care, and Warehousing and Distribution. This reflects those parts of the economy that have been most active during lockdown.



Source: Cheshire West and Chester Council

The chart below provides information on the previous employment sector of Work Zone Customers. This shows that job losses have arisen across a broad spectrum of sectors.



Source: Cheshire West and Chester Council

4.2 Economic Environment

Stakeholders have flagged intelligence on sectors and individual employers as follows:

- Leisure, tourism and the hospitality sectors are being identified by stakeholders as being particularly vulnerable
- The dairy sector is facing real challenges as milk prices have plummeted.
- Horticulture (fruit and veg) has issues around harvesting as access to labour (Brexit and Covid 19 – social distancing) is restricted. This may result in crops not being picked. The reduction in café/restaurant trade, hotel and school closure, has reduced demand for fresh fruit and veg.
- AO has opened its 3rd warehouse in Crewe (where its head office is also based). The new warehouse is 110,000 sq ft, taking the firm’s total floorspace in Crewe to just under 1,000,000 sq ft.
- Baywater Healthcare in Crewe is reported to be increasing its workforce by 20 per cent, acquiring 132 delivery vehicles, leasing three distribution hubs and purchasing £5m worth of medical equipment over the next 12 months, in response to a large increase in demand (10,000 new patients). The company employs over 200 people across the UK and Crewe, so a 20% increase in its workforce implies 40 or more new jobs, though not necessarily all in Crewe.
- Up to 1,000 jobs are being cut at Bentley which is about a quarter of its Crewe workforce. It is reported that the company is facing a sharp fall in sales because of COVID but achieving profitability had been a challenge in recent years, so longer-term factors may also be involved.
- The Restaurant Group is closing 120 of its 600 restaurants nationwide, placing up to 3,000 jobs at risk. Cheshire East council officers have confirmed that the Frankie & Benny’s at Grand Retail Junction, Crewe is one of those affected.

4.3 Young people

Stakeholders have flagged the following issues for 16-18 year olds:-

- Anticipated gaps in knowledge for young people progressing into new education courses.
- Concerns around digital poverty for some groups of students.
- Anxiety and mental wellbeing of young people from possible lack of career options and because of the changes to how their education and training is provided.
- Uncertainty as to how the broader labour market and policy context will impact on the implementation of T levels and, in particular, T Level placements.
- Concern regarding prospective students' willingness to travel by bus to college and the impact this might have on recruitment.

4.4 Apprenticeships

Stakeholders have provided the following feedback on Apprenticeships:

- One local provider is reporting 118 apprentices have been furloughed across all sectors.
- It has been reported that Construction, Construction Plant and Land based Service Engineering Apprenticeships are being adversely affected with high numbers of apprentices being furloughed.
- As lockdown restrictions are slowly being lifted providers report seeing a steady increase in employers reengaging with apprenticeship programmes; although a lower level of employer participation in apprenticeships is being forecast with one provider reporting a 50% reduction across all sectors in terms of planned apprenticeship vacancies.
- It is also being reported that some employers are planning to push apprenticeship start dates back from September, sometimes to January, depending on the recovery rate of each individual employer.
- Whilst the wider economic slow-down is expected to depress apprenticeship activity, providers expect that those sectors with replacement demand because of an ageing workforce are more likely to engage with apprenticeship activity.