
Step 1: Boosting Skills and Jobs

1. What we want to achieve

As the economy grows and changes independent forecasts for Core Cities demonstrate that together, our Core Cities' areas will require 259,000 graduates and 443,000 people with NVQ Levels 1-3 beyond the levels currently predicted¹ in order to achieve Core Cities growth potential of 1.16 million more jobs and £222 billion by 2030.

The current systems for increasing skills and getting more people into jobs are not structured to deliver this step change and are in fact experiencing market failure, as described comprehensively in the Heseltine Review². A new, locally driven approach is required to align growth plans and a range of spending within local labour markets to achieve three closely related outcomes which will boost local economic growth and improve lives, by changing the way services are delivered.

1. Doing more to promote local business growth, creating jobs (see 'Step 2: Grow Business and Innovation').
2. Building a better-skilled labour force that matches the current and future needs of local employers as the economy grows.
3. Integrating services to support local people into jobs and to promote financial independence, reducing spending on welfare and related services in the long term.

This paper provides an overview of how we think skills and employment systems (including all education, learning, welfare to work, job match and job search services) could work differently, coming together within a single framework that aligns national and local funds to raise skills and get more people into jobs. It relates closely to other 'Steps' including our proposals to enhance local support for business growth and our proposals for public sector reform.

The Core Cities Skills Model will achieve the following.

- **Deliver the skilled employees that local businesses need** to grow and reduce the cost of the state by delivering a skills and employment system which works. In short, Core Cities will locally integrate approaches to skills promotion and services, and to the delivery of employment services so that they are tailored to the distinctive economic and social conditions of each Core City labour market area.

¹ Oxford Economics for Core Cities 2013

² No Stone Unturned: in pursuit of growth; Lord Heseltine, 2012

Step 1: Boosting Skills and Jobs

- **Capitalise on strong local partnerships with employers and service providers** in the design of the skills system and enhanced information to learners to inform the choices they make are crucial to supporting business growth and employment.
- **Promote economic independence and reduce dependency on public services**, thereby improving people's lives. Long term unemployment has been exacerbated by the downturn, changes in the structure of the economy mean that many people with jobs are experiencing in work poverty, and underemployment is increasing amongst our population
- **Improve outcomes for people excluded from the labour market or facing in work poverty** by integrating local and national services with the goal of helping more people to achieve economic independence. This will ultimately reduce the need for public services to pick up the costs of failure, redirecting support towards investment which improves prosperity and wellbeing

A new approach will be built on the following.

- **Stimulating demand for skills** by building confidence amongst employers about the value of skills investment and promoting active workforce development in order to support business growth and the creation of higher skilled jobs.
- **Influencing the supply of skills** from education and training providers so that it matches demand, for both new and returning entrants to the labour market and people already in work, tailoring it to distinctive local needs of employers and the economy;
- **Ensuring quality labour market information** and support that helps students and learners make informed choices in their education and training, to help them secure work and progress in the labour market;
- **Devolving and locally aligning relevant funds** at the labour market level, e.g. adult skills and employment support funds; and
- **Locally commissioning the Work Programme post-2016**, and aligning it with other local services (e.g. for health, care and education), building on Community Budget Pilots to improve results.

2. Why changes are needed

The skills needs of a local labour market are inherently local issues, and the largely nationally controlled delivery model we have fails to meet the specific needs of cities, businesses and individuals.

The vast majority of skills and employment activity and interactions take place within local labour markets. Most people study in local schools and colleges. Most businesses recruit local people. Most people travel to work, education or training in their local labour market area. Most people move jobs within local labour market areas. Services like advice and

Step 1: Boosting Skills and Jobs

guidance, welfare advice and childcare are about local circumstances and are delivered locally. And even the most mobile workers in the highest skill roles seek places with 'dense' local labour markets which combine the chance of career development and a mix of services and opportunities when they choose where to locate.

And yet the tools to co-ordinate this range of services and activities are fragmented between different organisations and parts of Government with no recognised point of local co-ordination. Time after time research evidence highlights the same facts.

Knowledge based businesses in the service sector and high and medium value manufacturing are crucial to the future of both Core City economies and the UK. Ensuring that these businesses grow and create demand for skills - and that skills are available in local economies to support their development - is key to our national economic future, yet the services required to work with them are fragmented³.

Many businesses struggle to locate the skills they need - despite persistent unemployment and growing numbers of people of all ages looking for work, 17% of job vacancies are due to skills shortages.

Students, parents and adult learners struggle to understand opportunities for employment in their local area⁴.

The current education and skills system does not work to deliver on these goals, and it is not embedded in wider strategic approaches to local growth and development. It comprises a range of different institutions, each involved in designing, supporting, resourcing and delivering skills. There are connections and relationships between these bodies, often strong and productive, but there is also fragmentation and a lack of co-ordination leading to a number of failures - inadequate co-ordination, under-developed systems for exchanging information between employers, learners and providers and inadequately targeted incentive structures – which are having an impact on business growth, employment for people and the wider economy.

Welfare dependency undermines economic capacity; the current solutions aren't working well enough.

The welfare to work and employment support system, which aims to help the unemployed and excluded move towards employment and economic independence is not delivering the results that Core Cities and their residents need. This has increased welfare dependency and public spending. Core City areas now include 1.33 million of the 4.64 million out-of-work claimants in Great Britain. This is 28.8% of all GB claimants. In Core Cities £5.7 billion is spent annually on out-of-work benefits out of the £19.7 billion spent nationally.

Recent data about the performance of the Work Programme shows that performance is not meeting expectations with problems establishing services, underperformance by contractors

³ Lord Heseltine (2012), IPPR North (2013), Work Foundation (2013)

⁴ John Cridland, CBI (June 2013), National Careers Council (June 2013), Glasgow University (2013)

Step 1: Boosting Skills and Jobs

leading to less financial return for them and a model which incentivises a focus on the easier cases. Across the Core Cities, 10% of our residents between the ages of 18 and 64 will participate in the Work Programme with 50% of these leaving after two years without any experience of employment. Whilst Job Seekers Allowance claimants fare better than those claiming Employment Support Allowance, those JSA claimants leaving without a job will have been unemployed for 3 years. ESA claimants will have been unemployed for even longer.

Where there is a comparison with the performance of local authority services available, locally provided services show significantly better outcomes than nationally commissioned providers. For example, where national providers are delivering the Youth Contract, 27% of young people got into training or employment, but where Councils delivered, up to twice as many have (61% Leeds, Bradford and Wakefield, 47% Newcastle and Gateshead). Local flexibility also meant that Birmingham could target neighbourhoods with the highest rates of unemployment. As a result, 73% of individuals, who were helped to access employment by Birmingham City Council came from these priority neighbourhoods.

The disconnect between services is driving up costs to the state.

Tackling these problems requires a more locally co-ordinated approach. The Work Programme is not closely enough connected to a range of other local employability and skills programmes. Neither does it connect well to other local services like health, care and education which are often key to addressing the underlying issues faced by claimants. Joining these things up locally can create 'whole person' or 'whole family' solutions. The recent Community Budget pilots have demonstrated greatly improved results from taking this approach (see 'Step 8').

Government has recognised that previous approaches which involved seeking to drive these intrinsically local systems through national targets and funding mechanisms were inappropriate to the diverse circumstances of local economies, and the last few years have seen significant changes in the funding landscape for skills. There has been the removal of central targets, complex funding systems and bureaucratic practices, with the aim of empowering learners, employers and providers.

However welcome these changes, there remain significant challenges to meeting our shared goals of a growth-focused skills system which provides for local economic resilience and improved opportunities for people. There is significant evidence that more needs to be done to match supply and demand in the skills and employment support systems, and to focus the skills system on improving economic outcomes⁵.

There is agreement between Government and the Core Cities about the need to improve the co-ordination around the welfare to work system, seeking to remove duplication with local employment services and seeking to achieve the performance levels of the best local services.

⁵ Lord Heseltine (2012) CBI (2011)

Step 1: Boosting Skills and Jobs

Core Cities believe that for the necessary step change in the skills and welfare to work systems to be achieved, there is a pressing need to address the market failures evident in the current system and that this is only possible through alignment and coordination at the local labour market level.

3. Core Cities offer and proposal

Each Core City will become a catalyst to improve training skills and employability, supporting businesses to grow and meet the demands of achieving the 'best case' economic future for their urban area. Integrated with this, each Core City will co-ordinate action to accelerate more people into jobs, promoting economic independence, reducing spending on welfare and increasing tax revenues.

Through 5 year 'Skills and Labour Market Agreements', Core Cities will undertake to work with their LEPs, other local business and the full range of local providers to build a common commissioning framework, removing duplication, increasing skills and employment, and reducing dependency on public services. SLMAs should be built on the following.

1. A single plan and investment framework for skills with:

- devolved budgets and locally commissioned provision;
- a framework of coordination for all education providers, linked to current and future needs of the local labour market.
- a co-ordinated focus on the under 25's across schools, colleges and employment support services;
- a stronger offer for older people in the labour force, or those seeking to rejoin it;
- strengthened advice and guidance services and work experience system, and
- stronger engagement with business to promote skills investment and utilisation;

2. A locally commissioned Work Programme:

- Core Cities should commission the Work Programme post-2016, and embed it into a wider system of employability support, with the option for a single performance framework across all of the Core Cities, moving people from welfare to work.

3. A new approach to procurement

- Core Cities and Government to explore aligning public procurement to maximise training and employment dividends, e.g. apprenticeships.

4. A Whole-System approach

- Core Cities will align skills and employment provision to other services, including education, care and health, wrapping services around individuals and families, dealing with household poverty, improving outcomes and reducing spending over the longer term. Core Cities will also align skills and employment provision to local growth and inward investment strategies, increasing the resilience of the local economy and labour market. We are not simply proposing to shift responsibility for the existing system, but to wholly improve and integrate skills and employment delivery on the ground.

Step 1: Boosting Skills and Jobs

What benefits will this bring?

Core Cities will set goals for the first 5 years of each SLMA. Whilst more work is needed to define exactly what these targets will be in each area, the following figures give some sense of the change that might result within the system.

If Core Cities could achieve the following over a five year period this could on average contribute up to £4.7bn GVA per annum to the UK economy: halve skills shortages; reduce skills gaps by a quarter; increase the number of people with a minimum NVQ Level 2 qualification by a quarter; increase the number of apprenticeships by a quarter; and increase the number of people receiving training from their employer by one tenth⁶.

We will also aim to reduce both long term and youth unemployment through devolved commissioning of the Work Programme post 2016. As an example, if we can reduce youth and long term unemployment by one quarter across Core Cities, this has the potential to contribute an average of up to £134.4m to the UK exchequer through tax benefits and could, on average, create up to a further £195.6m in benefit savings per annum⁷.

⁶ PWC for Core Cities, 2013

⁷ PWC for Core Cities, 2013