

Initial Position Statement
on
Skills and Local Economic Growth

COMMENTS INVITED

July 2017



Introduction and purpose

Local Government is at the forefront of tackling the skills crisis hampering local economic growth and renewal, and it is also in the midst of pioneering new partnership approaches to intervene with positive economic benefit in the skills and employment support reform agendas across the country.

Solace has invested new energy in this agenda to develop a position statement and policy capacity to help lead this debate across our membership, capitalising on good practice across the country, and exploring the new leadership roles and expectations of senior management in local government acting in the skills and local economic growth space. As the representative body for over 1200 Chief Executives and senior managers working in the public sector in the UK, Solace recognises the importance of this agenda and we will continue working with Government and partners to tackle this challenge.

Our work identifies a small number of big skills and employment challenges facing local authorities.

Firstly, place leadership, cohesion and managing the impact of national “trickle down” economic strategy – reframed as “inclusive growth” agenda – plays a critical role.

Secondly, devolution remains a crucial part of the local government narrative; the demand for devolution will continue to grow, with the flexibility this affords local growth planning in an increasingly constrained financial reality facing all authorities.

Thirdly, practice shows Councils are challenging their regeneration programmes to require a better balance between the physical transformation of many places matched with improved performance on skills.

Finally, local government has to learn to better understand and navigate a complex skills and employment system which will continue to be “reformed” by government. This system is increasingly marketised, and determining local government’s place in the provider-employer-individual equation is probably the biggest challenge most local areas now face as this market develops.

The purpose of our work on this agenda will be to (a) develop policy credibility for Solace, (b) to contribute to agitating a complex system driving outcomes of great value to local places, (c) to capacity build our membership to better understand and develop strategies for engaging with and convening their local skills and employment systems, and consequently (d) to improve public service management practice and outcomes in this area.

Through a combination of practical case studies and improving management capacity to understand and navigate the skills and employment systems, Solace is ready to help and engage our membership on this important agenda.

National narratives and evidence base

The common media narratives on skills and growth argue that there is a mismatch between the skills supply in local labour markets and the skills needs of UK employers, leading to a “skills crisis” facing the country.¹ Undoubtedly there are major transformation issues facing the national skills system, and multiple local economic analyses of economically disadvantaged and economically prosperous areas of the country still demonstrate uneven skills acquisition profiles and poor progression trajectories in both the 16-18 and 19+ cohorts.²

The narrative and evidence on the UK’s declining international competitiveness in skills and labour market performance compounds these problems, as do the existing budget pressures facing the skills and employment support systems, adding to the complexity of this challenge. 2015 PISA survey outcomes³ demonstrated comparatively high levels of investment in the compulsory education system contrasted with at best average outcomes when compared internationally: see Table 1 opposite.

1. Daily Mail, *Skills Crisis Hits Housebuilding*, 1 January 2017 via <http://www.dailymail.co.uk/money/markets/article-4080402/Skills-crisis-hits-housebuilding-Shortage-workers-threatens-Government-s-2020-targets.html>; Guardian, *How Can the UK Overcome a National Skills Shortage? Think Local*, 18 February 2016 via <https://www.theguardian.com/higher-education-network/2016/feb/18/uk-skills-shortage-universities-employers-industry>

2. Two recent examples include the Doncaster Education and Skills Commission, reporting in 2016 via <https://educationcommission.wordpress.com/> and the Oldham Education and Skills Commission, reporting in 2015 via <http://oesc.org.uk/>

3. Programme for International Student Assessment, OECD - <http://www.oecd.org/pisa/>

Table 1: Spending per pupil in non-tertiary education and selected outcomes at age 15

Spend per pupil		Maths PISA score		Reading PISA score		Science PISA score	
US	150	Japan	532	Japan	516	Japan	538
UK	130	Germany	506	Germany	509	Germany	509
Germany	110	France	493	France	499	UK	509
Japan	108	UK	492	UK	498	US	506
France	104	Italy	490	US	497	France	495
Italy	88	US	470	Italy	485	Italy	481
OECD	100	OECD	490	OECD	493	OECD	501

Source: PISA 2015, Results in Focus, Snapshot of performance in science, reading, and mathematics <https://www.oecd.org/pisa/pisa-2015-results-in-focus.pdf>

Table 2: Generational gaps or catch-up? Numeracy and literacy skills across age groups

Literacy mean scores							
16-24		35-44		55.65		Age gap (pps)	
Japan	299	Japan	307	Japan	273	France	33
Germany	279	Germany	281	UK	265	Italy	27
France	275	Canada	280	US	263	Japan	26
Canada	275	UK	279	Canada	260	Germany	25
US	272	US	273	Germany	254	Canada	15
UK	266	France	267	France	242	US	9
Italy	261	Italy	253	Italy	233	UK	1
OECD	271	OECD	279	OECD	255	OECD	24

Numeracy mean scores							
16-24		35-44		55.65		Age gap (pps)	
Japan	283	Japan	297	Japan	273	France	29
Germany	275	Germany	279	UK	257	Italy	22
Canada	268	Canada	272	Germany	256	Germany	19
France	263	UK	269	Canada	251	Canada	17
UK	257	France	262	US	247	Japan	10
Italy	251	US	258	France	234	US	2
US	249	Italy	251	Italy	229	UK	0
OECD	271	OECD	275	OECD	253	OECD	19

The most recent PIAAC survey results⁴ also confirmed the growing skills gap in relation to the UK's international competitiveness⁵ (see Table 2 opposite).

Public funding of the learning and skills system has also undergone dramatic change and reform in recent years. Levels of public investment in further education and skills have declined dramatically since 2010, as the combined effects of the economic downturn, a national austerity agenda and the increasing marketisation of the funding system took effect.⁶

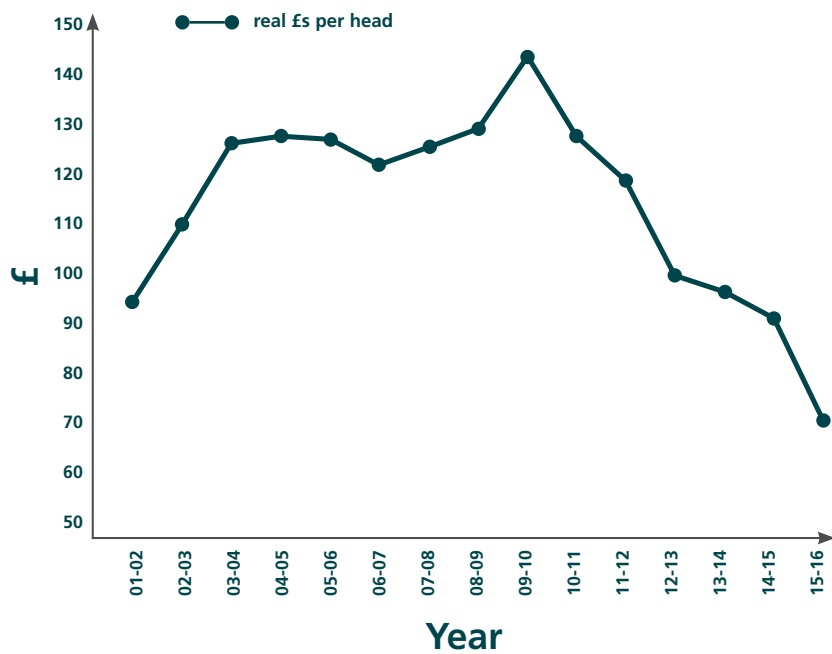
Wolf's 2015 study questioned the long-term sustainability of disproportionately high levels of policy intervention in the skills arena combined with major upheaval in the funding system over recent years. The dramatic expansion of higher education and introduction of a new marketised system of financing training for the 19+ cohort, including the Apprenticeships Levy and new Learner Loans for the 19+ age cohort, now present major challenges for local policy makers to grasp.

4. Programme for the International Assessment of Adult Competencies, OECD - <http://www.oecd.org/skills/piaac/surveyofadultskills.htm>

5. 2015 PISA and 2012 PIAAC data referenced in CIPD, From 'inadequate' to 'outstanding': making the UK's skills system world class, April 2017, via https://www.cipd.co.uk/Images/from-inadequate-to-outstanding_2017-making-the-UK-skills-system-world-class_tcm18-19933.pdf

6. Alison Wolf, *Heading for the Precipice: Can Further and Higher Education Funding Policies be Sustained?*, 2015 via <https://www.kcl.ac.uk/sspp/policy-institute/publications/Issuesandideas-alison-wolf-digital.pdf>

Table 3: Adult skills spending per head of 20-60 year old population
(England & Wales, 2000 prices)



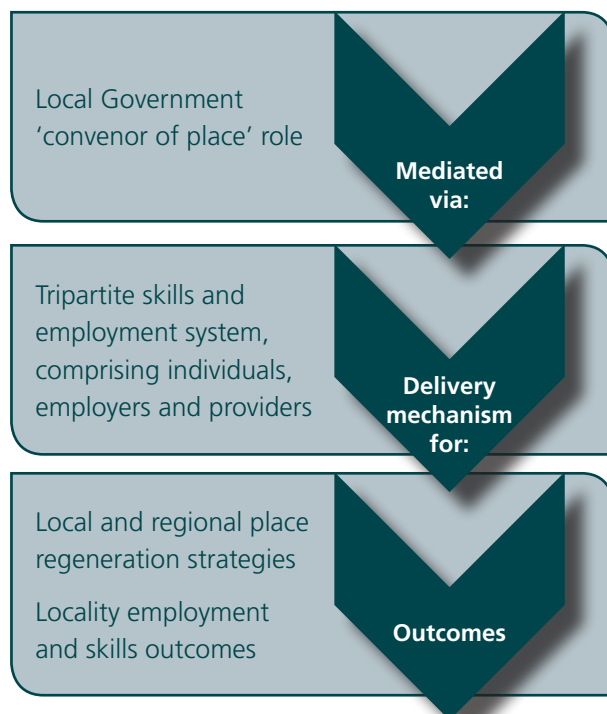
At the same time as moving towards a more employer led system, successive studies have demonstrated falling levels of employer investment in technical and vocational education and training for their employees. Studies have shown a decline of some 16.9% between 2007 and 2013. The economic downturn in part explains firms being cautious on their expenditure. But that does not explain the historic low levels of firm investment in vocational training by international standards: currently half the EU average. Even in a third of firms that do invest in training, more than half of this expenditure is either induction or health or safety training, rather than training investments linked to product or service innovation. This provides a partial explanation of the current UK productivity deficit. Whilst the apprenticeship levy will improve this situation in theory, in cash terms and if wholly successful at its peak, it will only bring the country up from half to just less than three quarters of the EU average.⁷

Solace recognises that in this context, the skills and employment agenda is crucial to achieving economic growth and productivity, both locally and nationally, and Local Authorities are key convenors of place mediating these systems to better deliver prosperity within local areas. In order to build strong local economies and thriving communities, it is vital to create a steady supply of jobs and training, along with effective support, to help individuals play their part in achieving this.

7. IPPR, *Skills 2030 – Why the adult system is failing to build an economy that works for everyone*, February 2017 via <http://www.ippr.org/publications/skills-2030-why-the-adult-skills-system-is-failing>



Local Authorities, as convenors of places, have a vital role in ensuring that their local economies provide the appropriate tools to help people gain access to the necessary training and employment support. Critically, successful local authorities and city regions will not approach this agenda purely as a “deficit model” focussing solely on the “skills crisis”, but as an opportunity to convene new partnerships and pragmatic interventions in the labour market and skills/employment support systems, to drive sustainable growth and labour market progression for their local populations. This is summarised below:



Solace work to date

Solace has developed this workstream in the following context over the past two years:

1. The emerging **national narrative on inclusive growth**, following on from the EU referendum and heightened concerns about democratic and civic disengagement based on economic exclusion and the local labour market experience of residents in economically disadvantaged areas of the country. Brexit and international migration pressures combine in many areas with the essential role played by migrant labour in local employment markets, giving an added dimension to local government's place convenor role.
2. The new government **Industrial Strategy** which signals overall the appetite for a more interventionist approach in driving local growth, both in physical regeneration and investment, and also in driving local skills and employment outcomes.
3. The need to grow **capacity and knowledge** amongst Solace membership on the breadth and complexity of the skills and employment support systems and funding, and the ever increasing range of policy and restructuring reform these systems continue to be subjected to – capacity building that is recognised as essential to understanding and developing “what works” interventions at a local level.

4. The experience across Solace membership of the **devolution** agenda to date, and how this has impacted in practice on skills and employment support system reform largely at city-region level,⁸ alongside the substantial opportunity for exercising the “soft power” of new emerging forms of city-region and Mayoral governance.
5. A series of **pilot events** facilitated by Solace (at the 2016 Gateshead Summit and a 2017 Skills Masterclass in Leeds), demonstrating good levels of engagement in this agenda across our Membership, and also a level of demand for policy positions and capacity building to assist dealing with skills, local growth and employment challenges at a local level.

8. City deals and skills: How have City and Local Growth Deals supported the development of employment and skills policies that reflect local demand? Research report by Centre for Cities and UKCES, July 2015 via <http://www.centreforcities.org/wp-content/uploads/2015/07/15-07-02-City-deals-and-skills.pdf>

Key skills and employment challenges facing local authorities

Solace believes there are a small number of major strategic challenges facing our Membership in grappling with this agenda, to set the scene for exploring new partnership models and piloting “what works” interventions. These challenges are summarised below, and provide a focus for future areas of Solace work and influencing on this agenda:

1. **Place-shaping**, cohesion and impact of national “trickle-down” economic strategy. The critical role of Councils as convenors of place makes skills and labour market progression an essential component of any coherent local growth strategy. Solace intends to explore this and particularly whether the new agenda of “inclusive growth” provides any new answers and solutions to the better distribution of the benefits of local growth in a post-Brexit economic reality now facing the UK.
2. **Devolution** remains a critical part of the local government narrative; the demand for devolution will continue to grow, with the flexibility this affords local growth planning in an increasingly constrained financial reality facing all authorities. Solace is well placed to explore the potential for the devolution agenda in the context of the new Industrial strategy, set against the practical experience of devolution across the country to date.
3. **Challenging regeneration**: local authorities continue to be major investors in their local places via capital programmes, infrastructure investment, devolved funding and property investment. However this dramatic physical

transformation in many places has not been matched with improved performance on skills. Councils will increasingly face demands to expect more of their regeneration programmes as leverage for outcomes in the skills and employment support systems, which are often strategic and longer-term interventions, alongside the physical immediacy and public visibility of property-led regeneration and infrastructure programmes.

4. Solace recognises that national reform of the skills and employment systems is set to continue, and that a strong effort is required to help local authorities properly understand this increasingly **marketised system, alongside improving capacity to intervene in this system to best effect for local communities**. Tackling historic under investment by employers in education and training of the workforce also remains a priority within this reformed funding system.
5. **Determining Local Government's place in the provider-employer-individual equation.** Understanding and influencing this complex tripartite relationship is essential to achieving sustainable change in employment and skills outcomes at a local level. The skills and employment support systems are now considerably more complex than historically, revolving around empowered employers (e.g. via the Apprenticeships levy); financially mobile individuals increasingly supported by loan-funded access to skills acquisition; and a hugely diverse system of providers (colleges, 6th forms, private providers, and employment support providers and supply chains). Democratic intervention to seek to convene and improve interventions across these diverse players will be an essential role for local authorities in pursuit of their local growth strategies.

Capacity building: shining the spotlight on system reform

Two significant recent reviews illustrate the complexity of the system and recommend themselves to further discussion across the Solace membership, setting the scene and background for the five key challenges set out above.

Alison Wolf's 2015 *Heading for the Precipice* review⁹ sets the scene for the scale of the financial and competition challenge facing FE and Higher education, and dramatically illustrates the level of Government intervention in policy and financial terms in this area in recent years, providing a robust illustration of the policy turmoil many local providers are faced with operating in. This is essential reading for Solace professionals seeking to better understand and intervene in these areas.

Secondly, the Association of Colleges produced a 2016 review of the Long Term Implications of Devolution and Localism for FE in England, setting the success of devolution deals in context of wider FE reform, and illustrating the scale of the financial opportunity across the skills system outside the monies Government has to date made available for devolution related to skills and employment matters.¹⁰ Again, this review is important background for Solace members wishing to understand FE reform and devolution in context, as part of a much wider and considerably more complex system of funding and reform.

Solace has also identified a need for a new “navigation guide” to the skills and employment systems to assist practice and contribute to building capacity in local government management to navigate the system and help develop a better informed convenor of place role in local government in this area. This would build on recent FE sector guidance such as the 2015 Guide to the Skills System produced by Policy Connect,¹¹ and Solace will undertake a review of this and similar guides, and engage with our membership to decide how best to add value via a similar practice guide aimed specifically at our membership.

9. Note 6 above.

10. Association of Colleges, The Long Term Implications of Devolution and Localism for FE in England, 2016 via <https://www.aoc.co.uk/sites/default/files/The%20Long%20Term%20Implications%20of%20Devolution%20and%20Localism%20for%20FE%20in%20England.PDF>

11. Skills Commission at Policy Connect, *Guide to the Skills System*, 2015 via <http://www.policyconnect.org.uk/sc/research/guide-skills-system>

What works in local government: developing a community of practice

Solace is uniquely placed to develop a new community of practice across the breadth of the skills, local growth and employment support agendas, to support capacity building in local government and also to showcase what works interventions. Recent examples as the basis of assembling a new community of practice, gleaned from the pilot events we have held, could include:

1. Extensive practical experience from across our business partner network, with **Prospects Group** being ideally placed as an experienced business partner in this field.
2. **Doncaster Council's** skills and employment commission, with a clear focus across the experience of both the skills and employment systems and a strong "all ages" approach.
3. **Sheffield City Region's** approach to skills devolution and practical experience of redesign and systems reform across skills and employment programmes.
4. **Oldham Council's** Career Advancement Service – a new employment support pilot focussing on skills acquisition needs and labour market progression for working age adults trapped in low pay/low skill employment.

5. **Greater Manchester's Skills Devolution programme and Ageing Hub**, the work and skills strand of which focusses strongly on re-conceptualising ageing as an economic opportunity as opposed to simply a pressure on statutory services, with the attendant reform question of reshaping the skills and employment systems to a whole life-cycle/all ages approach assisting the financial challenge faced by statutory services.
6. **South Tyneside Council's** partnership between business, schools and the Council - The Exchange – is a comprehensive programme to improve students' awareness of career opportunities open to them, including impartial information, advice and guidance, contact with potential employers and a focus on STEM.

The latter of these examples in particular points to a new agenda on which Solace might aim to provide substantial capacity, thought leadership and national challenge – i.e. bringing a **new and closer debate between the skills/growth and employment agendas and the health and well-being agendas**. Increasing recognition of longer working lives as a local economic opportunity is shaping this conversation and would be territory on which Solace could add strong value.

Reality checks for practice

Solace needs to guard against falling in to the traditional “think tank trap” of expecting overnight reform of the whole skills and employment system, and/or immediacy of results. The Wolf report referenced above sets out starkly the legacy of government approaching reform in precisely this way – i.e. with major and relentless policy change applied far too frequently causing policy instability and constant financial and institutional reorganisation. Changes in the skills system also typically have a longer gestation for outcomes results as cohorts of learners and/or participants in employment support interventions take a longer period of time to acquire qualifications and/or progress in the labour market. Pilot programmes executed and evaluated well can often prove their benefit over a number of years rather than weeks or months.

Consequently, Solace would adopt a policy position encouraging our Membership to debate and adopt a set of reality checks in this policy space, that would build our credibility in understanding the pace and process of reform in a highly complex system subject to frequent national policy intervention, and also provide useful rules of thumb for practitioners in local government. These could include:

1. **There is no 'right answer' on skills provision, employment support and funding:** localism in this arena means political judgements will need to be taken about the 'right' balance of spend on different people, in different situations, needing/wanting to learn and re-skill for different reasons. Reformed delivery programmes will then need to start roughly where delivery and demand are now, and work on stimulating better-informed demand, more learner and employer funding (including via loan funded provision), and more flexible and creative delivery.
2. **Managing and influencing across the provider-individual-employer tripartite system** will be a key skill for local government managers involved in the local growth agenda.
3. **Devolution provides some, but not all, the answers:** more money for skills is not the only answer given the limitations of devolved funding on offer and the extent of non-devolved funding available to influence via the tripartite relationship (e.g. Apprenticeship Levy, Adult loans etc.). Solace recognises that increasingly, more public funding is not what employers will expect, given the way they have arguably been empowered via the levy as bigger purchasers in the skills market. Solace also recognises that whilst devolved governance change provides unique opportunity for system leadership, the system is considerably more complicated than the arguably limited aspects offered in devolution deals to date.

4. An investment strategy to help the private sector to thrive remains critical:

the key exercise is in seeking a closer match between priority growth sectors and skills acquisition strategy at a local level, but very much in the context of the tripartite relationship and limitations of devolved funding described above, with sophisticated employer skills needs analysis forming a key component of local skills strategies.

5. Pathways into work, and in-work progression, must be seen as equally important:

recognising that good outcomes from skills and employment system reform are not just those impacting on young people / 16-18 year olds or new entrants to the labour market, but that the adult agenda impacting on outcomes for ageing populations with increasingly longer working lives must be given equivalent priority, is a credible and economically essential policy position for Solace to explicitly support.

Developing new partnerships for Solace

The skills, employment and local growth agendas also provide a strong platform for Solace to explore new strategic partnerships to help improve the offer to our membership and build capacity for assisting local government across the breadth of this agenda. These new partnerships should build on our business partner relationship with Prospects Group, a major employment support provider, and also reach out to other relevant national bodies e.g. Association of Colleges, ERSA, Learning and Work Institute, AELP and the Joseph Rowntree Foundation, alongside making better use of our major business partners as large and influential employers in their own rights.

How to respond

Solace is keen to further discuss how to develop these ideas. This paper was produced as an initial position statement open for consultation, and we would welcome your views and feedback.

If you have any thoughts or ideas regarding the issues discussed in this paper, or would like to get involved in Solace's work on local economic growth and skills, please get in touch by email with Martina Cicakova, Solace Policy Officer at [**`martina.cicakova@solace.org.uk`**](mailto:martina.cicakova@solace.org.uk)

