

Item 5

Employment and skills – moving the agenda forward

Purpose of report

For discussion.

Summary

This item provides an update on recent and future priorities.

Recommendation

Members are asked to discuss.

Action

Officers to take forward as directed by members.

Contact officer: Jasbir Jhas / Nick Porter
Position: Senior Advisers
Phone no: 020 7664 3114 / 3113
E-mail: jasbir.jhas@local.gov.uk
nick.porter@local.gov.uk

Item 5

Employment and skills – moving the agenda forward

Board priorities

1. At the last Board meeting in September, Members agreed that the Board prioritise three areas of work on employment and skills:
 - 1.1. To continue to lead the Hidden Talents campaign calling for the devolution of delivery of **youth employment and skills programmes**, particularly influencing the current review championed by the Deputy Prime Minister.
 - 1.2. To develop a case advocating a local approach to address **adult unemployment** more effectively – this has been identified as a gap in our work and we need to match the impact of the work on Hidden Talents above.
 - 1.3. To maximise opportunities for local influence over **current national skills and employment policy**.

Update on Hidden Talents: local solutions to youth employment and skills

2. Around 1 million 16 – 24 year olds are unemployed. Nearly half have been out of work for over 6 months, a quarter for over a year, and 1 in 10 (115,000) for over two years. Just over 1 million young people are not in any education, employment or training (NEET). The impact on young people is particularly acute in the UK. In 2012 the UK had the 4th worst ratio of youth unemployment to over 25 unemployment in the OECD; there are 3.5 unemployed young people for every 1 unemployed older worker. Only Luxembourg, Greece and Slovakia had higher ratios. Growth, alone, is unlikely to significantly reduce youth unemployment, which was rising well before the recession hit.
3. The Economy and Transport Board and the Children and Young People Board jointly lead the Hidden Talents campaign calling for devolved models to support young people's transition into the world of work.
4. The campaign has launched a number of pieces of research highlighting the failure in national schemes and services to effectively support young people, and demonstrate the value of local approaches in all areas. For example it has demonstrated a local approach could cut youth unemployment by 20 per cent in three years, saving £1.7 billion a year. The material is available at www.local.gov.uk/hidden-talents.
5. The Deputy Prime Minister launched a review into schemes for 16 – 24 year olds in the summer, in response to struggling national schemes and calls for reform, especially by the LGA. The review has still not reported to Ministers at the time of writing this report. There will be an oral briefing at the Board on any developments.
6. Alongside the review, the Deputy Prime Minister has announced £50 million of Youth Contract underspend to be given to some places to tackle youth unemployment in their areas. The Board has called for the devolution of this budget through the Hidden Talents

Item 5

campaign. However, it is likely that only 28 places involved in City Deal Wave 1 and 2 will receive funding to design local models to tackle youth unemployment.

7. While there is a welcome acknowledgement of the unique role that local authorities can play in driving positive outcomes, the LGA has made it clear that all areas must have the levers over the entirety of the 35 nationally funded services and schemes to support young people into work. In order to highlight this point, we propose to promote the work of local areas developing innovative new models to demonstrate the impact of local approaches for public service reform, for instance with Suffolk which is developing a Youth Guarantee delivered through a Youth Jobcentre Plus.
8. Looking ahead, it will be important that the Hidden Talents works continues and that there is a focus on parties and policy makers as manifestoes are drafted for 2015. Whilst there has been resistance in departments to some of our objectives, the Clegg Review and the announcements by the Shadow Department for Work and Pensions team have demonstrated the longer term impact of Hidden Talents. LGA work is being developed in the following areas and members may wish to comment on focus going into 2014:
 - 8.1. Evidence to demonstrate the effectiveness of more comprehensive devolution of funding and influence to local authorities and partnerships through the Local Growth Deal process, especially in local growth sectors.
 - 8.2. Making the case for wider public service reform for a single locally led transition service for all 16 – 24 year olds, including education, skills, employment and financial support - as part of a strategy to influence future spending decisions and party Manifestos.
 - 8.3. Research to show the advantages of local programmes for business engagement.

Developing the case for greater local influence to support adults into employment

9. At the last Board meeting, members identified a gap in LGA work. Whilst our lobbying on young people's employment had had much impact, we needed a focused piece of work on the local dimension to secure sustainable employment opportunities for adults, particularly focused on businesses' demand for skills as the parts of economy start to grow.
10. As a first step, the Centre for Economic and Social Inclusion (CESI), who carried out much of the research for the Hidden Talents campaign, has been commissioned to examine the following broad themes:
 - 10.1. If there is economic growth, which sectors and localities are likely to require new skilled labour and what could this mean for local economies and labour markets?
 - 10.2. What skills gaps are likely both locally and nationally?

Item 5

- 10.3. How could the current national employment and skills programmes support the future needs of employers and help adults return to employment? What needs to change in current public policy?
- 10.4. Based on the above, what should be the focus of any future programmes of devolution to support competitive labour markets?
11. This research is about to begin and members comments will influence the focus of this early work.
12. Members have been clear that this issue could be wide-ranging and a clear tangible focus is required. This research is intended to provide members with an overview and options on the most effective focus for future devolution in the areas of adult skills and employment. This work will be ready for the first Board meeting in 2014. Therefore, it is suggested that the January Board meeting is focused on this issue, with a presentation of initial findings from CESI. From that discussion, more detailed research can be developed to ensure we are offering tangible proposals to influence manifestoes.

Lobbying to influence the current system

13. Whilst the above work on youth and adult employment is aiming at the longer term, much work is being undertaken to ensure a local influence over the current system.
14. Back to work support - Councils have major concerns about the nationally designed and commissioned Work Programme. Principally, the concerns relate to the effectiveness of the programme, our lack of influence and reliance on council-run support services if national programmes are ineffective.
15. In September, the LGA lobbied DWP to influence the future design and delivery of back to work schemes as they are reviewed for the period after 2015. It was an opportunity to influence the new scheme, and the LGA has stressed that the national scheme must be reformed to address the concerns set out above. Our submission pointed to June 2013 figures¹ which found that all prime providers supported just 5.3% Employment Support Allowance (ESA) claimants against contracted levels of 16.5%. Payment models failed to anticipate costly, highly personalised support. Providers have been reluctant to invest in more expensive services, leading to 'creaming and parking' clients²; which was echoed by the Work and Pensions' Select Committee. The LGA recommended the following:
 - 15.1. A local place based approach: Back to work schemes should be aligned with the collective social and economic actions of councils to provide a coherent offer to local residents, for instance via LEPs. Currently the Work Programme operates at a geography all of its own – operating at neither a local nor national level, with accountability to DWP rather than to local areas it serves. This

¹ <https://www.gov.uk/government/organisations/department-for-work-pensions/series/work-programme-statistics--2>

² http://www.instituteforgovernment.org.uk/sites/default/files/publications/Making_public_service_markets_work_final_0.pdf

Item 5

makes local relationships hard to forge, and makes it difficult to connect Work Programme support with the local services unemployed people rely on.

- 15.2. Locally commissioned: Councils should design and commission locally designed specifications, select and approve providers using a mixed economy approach, scrutinise local performance, hold providers to account, and address under performance. The Work and Pensions Select Committee recommended that councils 'are given a more central role before or at the commissioning stage... to lay the foundations for more innovative partnerships'.³
- 15.3. Underspend to be commissioned locally: The £248 million Work Programme under-spend should be locally commissioned enabling a wider selection of provider to bid to support the long term unemployed.
16. The Board Chair, Cllr Peter Box, wrote to the then Employment Minister, Mark Hoban to highlight the LGA views and suggested convening a roundtable with local authorities to discuss options for a localised delivery model. The new Minister, Esther McVey responded that LGA views would be considered in the overall response. The LGA will be following up on this.
17. Our submission to the Autumn Statement provided the LGA with an opportunity to push for underspend, now packaged as the new £300 million *Help to Work* scheme, to be localised and/or for councils to be involved in co-commissioning provision. The LGA is following up discussions with DWP.
18. Last month, Cllr Sharon Taylor, LGA Deputy Chair, and Chair of the LGA Finance Panel, presented evidence to the Commons' Work and Pensions committee inquiry on Job Centre Plus' role in the reformed welfare system. Key points included:
 - 18.1. A local offer to solve the youth unemployment issue (see Hidden Talents).
 - 18.2. Localisation of future back to work support (paragraph 14).
 - 18.3. Job Centre Plus' role in employment support be reformed to be locally, rather than nationally, accountable and focused on sustained employment and career progression, rather than driven by national targets.

³ <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmworpen/162/162.pdf>