

Employment, skills and economic growth: update

For discussion and direction

Summary

This paper provides an update on progress relating to the People and Places Board work programme

Recommendation/s

That the board notes progress against each of the key work programme areas.

Action/s

As directed by the board.

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1. Update on current work programme

1.1 The Board agreed a programme of work on welfare, employment and skills with a focus on a research project the LGA has commissioned from the Centre for Economic and Social Inclusion (CESI).

1.2 In consultation with Board members the LGA identified a core group of 11 places with whom we will work closely to develop the evidence base for our proposal, and draw on learning from local approaches. The 11 places are:

- Devon
- Essex
- Surrey
- Lincolnshire
- Shropshire
- Staffordshire
- Greater Manchester
- West Yorkshire combined authority (Leeds, Wakefield and Barnsley)
- Newcastle
- South London tri-borough (Lambeth, Southwark and Lewisham)
- Southampton and Portsmouth

2. Realising Talent

2.1 In July we published the **first in the planned series of three reports** which will set out the challenges for our employment and skills system and propose ways it can be improved. **'Realising Talent'** looks at the extent and nature of the skills gap we face in the future – at both the national and local level. A continuing trend towards higher skilled jobs will mean there will be significant changes in the demand for labour over the next seven years and beyond.

2.2 The **skills gap** for England is the equivalent of increasing everyone from an average of five GCSEs to an average of three 'A' levels (or their equivalents) by 2022. The consequence of not meeting this challenge by 2022 will be:

- 9.2 million low skilled people chasing 3.7 million low skilled jobs – a surplus of 5.5 million low skilled workers with an increasing risk of unemployment
- 12.6 million people with intermediate skills will chase 10.2 million jobs – a surplus of 2.4 million people
- employers will struggle to recruit to the estimated 14.8 million high skilled jobs with only 11.9 million high skilled workers – a gap of 2.9 million.

2.3 This could **restrict economic growth** if employers can't recruit the skills and capabilities they need. We have calculated that in 2022 between 16% and 25% of growth could be lost by not investing in skills. This means that up to £375 billion of output is at risk.

Without a commitment to build employability the local workforce could become a constraint on growth rather than a driver of new jobs. Responding to current employer demand is important but it is equally important to build the workforce skills of the future.

Item 1a

Achieving a step-change in qualification levels is not possible by relying on ever better qualified young people – adults already in the workforce will need to continue to attain higher qualifications. Our workforce is getting older both because there are fewer young people and people are working for longer.

2.4 Local economies need a good match between employer demand and labour supply – the right skill levels and the right sort of skills. **Delivering the benefits of local growth for local people will mean maximising opportunities for residents to upskill, re-train, progress in work and find the job they want.**

Despite recent reductions in the wide measure of unemployment, it remains 546,000 higher than immediately before the recession, and long-term unemployment remains 454,000 higher. If unemployment remains a problem, so too does the spare capacity in the workforce – including where people have a job but are not working as many hours as they need or want. In England we need 15% more jobs and across the case study areas it ranges from 10% to 30%. Some areas have significantly higher spare capacity in their labour market than others. Those most at risk of not benefiting from the upturn are: the long-term unemployed of all ages; those with low qualifications; those with disabilities and health problems; and other groups with low employment rates.

There will need to be more opportunities to improve skills and qualifications – integrating employment and skills provision at the local level. The Work Programme is due to be replaced in 2016. This provides an opportunity for new programmes that will meet the new challenges, especially for those with disabilities and health problems,

The costs of unemployment are not only borne by national government. There are significant costs at the local level in terms of spending and lost growth. However, the infra-structure to deliver employment and skills for working age people is highly complex. A new report commissioned by the LGA from Shared Intelligence has identified annual expenditure of almost £13 billion on skills and employment support going through 28 different programmes and budgets.

2.5 Central and local government are already working together to test new ways in which local employment and skills can be improved through City Deals and Community Budgets. In addition, through LEPs, there promises to be greater influence over some skills spending in the future. **Meeting the challenges of the future will require a more robust and clearer partnership between central and local government.**

A more agile and responsive skills and employment system will be needed in the coming years. One which is geared to:

- fast-changing employer requirements
- the needs of local people; and
- opening opportunities to reduce poverty and promote social mobility.

The challenges and barriers to achieving this are:

- an ageing workforce, it will primarily be adults' skills and capabilities that will either deliver or constrain growth

Item 1a

- re-claiming the lost generation of young people by providing better skills, improved guidance and new pathways to employment achieving a better local skills match between publicly funded training and employer demand
- further improving the efficiency of the local labour market by increasing information on jobs, education and training
- making sure that long-term unemployed people and disadvantaged groups are not left behind
- integrating provision at the local level

To take this forward there will need to be a wide acceptance within local government that the effectiveness of employment and skills support is critical to their local economies and reducing the social costs of unemployment and poverty. Government now needs to reinforce their capacity to take further responsibilities both in policy and commissioning.

The full report can be viewed here:

<http://www.local.gov.uk/documents/10180/11431/Realising+talent+-+employment+and+skills+for+the+future/be9a4027-7cc6-47bc-a3d7-7b89eaf3ae69>

3. Work programme going forward

3.1 A **second report**, again drawing on the eleven places, will be published later in the autumn. This report will explore **barriers to employment, training and progression from the perspective of individuals** looking to enter work or improve their employment prospects. It will provide some analysis of the performance of national programmes. The report will draw on councils' experience of working with local training providers and employers to develop some person-centred case studies. These will:

- Highlight the nature of problems
- Identify the number of agencies individuals are in touch with
- Highlight the local government role in signposting, commissioning and providing support
- Identify points at which a more locally integrated approach could have delivered better outcomes
- Set out both the potential cost and/ or return to the state

3.2 The LGA and CESI have also recently produced a **narrative report on LGINform**, which draws together a range of nationally collected data on the impact and implementation of the welfare reforms. The report sets out a range of national data sets under the following headings:

- **The determinants of the impact of welfare reform.** For example information about local employment and rental markets, and housing benefit
- **Indicators of local impacts of welfare reform.** For example information about debt and homelessness
- **Impacts of specific reforms.** This section focuses on three reforms that have a narrow but deep impact on some of those on the lowest incomes: the increased use of sanctions; the benefit cap, and the introduction of personal independence payment (PIP) for disabled people

3.3 The report can be viewed by local authority and compared to data from others e.g. by region

3.4 We are exploring the possibility of using this impact model with the case study areas to highlight challenges for welfare claimants – both in and out of work – and how councils are supporting those facing the greatest barriers. We will also use this to see whether there are some key challenges that cut across the sector.

The welfare impacts report and the national data sets can be viewed here:

<http://lginform.local.gov.uk/reports/view/lga-research/the-impacts-of-the-welfare-reform?version=latest>

4. A **final report** in early 2015 will make proposals for addressing the challenges highlighted in reports one and two, and set out how these can be more effectively addressed through a more devolved and locally integrated approach. This will contribute to the broader objectives identified in ‘100 days’.