

## **Employment, Skills and Growth**

### **Purpose of report**

For discussion / decision.

### **Summary**

As one of its three priorities, the Board agreed to put forward a model which gives city regions and groups of councils the power, funding and lead responsibility to integrate and commission future back to work, skills and welfare support.

This report sets the context for discussion of this work stream. It sets out what we have delivered to date, work that is in the pipeline, and possible next steps.

The findings from two reports commissioned by the Board will also be presented:

- Jonathan Portes, Director, and Heather Rolfe, Senior Research Fellow from the **National Institute for Economic and Social Research (NIESR)** will present *independent analysis of council-led schemes to support people towards work*. This was jointly commissioned by the City Regions and Children and Young People Boards. A draft copy of the report was shared with lead members of the Board in December. An embargoed copy (not for circulation) is circulated with Board papers. Paper copies will be provided at the meeting. It will be published in mid-January.
- Dave Simmonds, Chief Executive of the **Centre for Economic and Social Inclusion (Inclusion)** will present *interim findings from work assessing the impact of a national employment, skills and welfare system on unemployed and people in low skilled jobs*. This is the second report of three, jointly commissioned by the City Regions and People and Places Boards. A draft executive summary of the report will be circulated to Board Members in advance of the meeting. Paper copies will also be available at the meeting. As the report is still at drafting stage, Board Members will be able to influence its final shape. It is expected to be published at the start of February.

### **Recommendation**

Members are invited to comment on the evidence base completed to date, consider how to shape work that is in the pipeline, provide a steer on how we package the totality of this work over the next few months in the run up to the General Election, and beyond that to influence the decisions of incoming Ministers (**Paragraphs 22-27**).

### **Action**

Officers to take forward members' recommendations.

**Contact officer:** Jasbir Jhas  
**Position:** Senior Adviser (Growth and International)  
**Phone no:** 020 7664 3114  
**E-mail:** [jasbir.jhas@local.gov.uk](mailto:jasbir.jhas@local.gov.uk)

## **Employment, Skills and Growth**

### **The overall objective**

1. As one of its three priorities, the Board agreed to put forward a model which gives city regions and groups of councils the power, funding and lead responsibility to integrate and commission future back to work, skills and welfare support. A local offer would enable them to knit services together which unemployed people rely on and link it with regeneration and growth activity, providing a clear line of sight to local jobs for residents.
2. Our aim is to influence key policy decisions including the devolution of back to work support from 2017 when current Work Programme / Work Choice contracts come to an end. Alongside this, we are calling for skills funding to be devolved, and for welfare support to be effectively localised, through Universal Support Delivered Locally (USdL) in preparation for Universal Credit roll-out.

### **Devolution to date**

3. Councils' ambition for employment and skills devolution is strong. Without real influence over the direction of employment and skills funding, their ability to address the local skills gaps and shortages, unemployment, underemployment, and growth will continue to be constrained. An LGA survey of councils (June 2014) concluded that 79% of councils say it is very / fairly difficult to flex the plethora of national schemes delivered in their area. 87% have insufficient oversight over providers in their local area. 84% felt DWP programmes responded to local need to a small extent / not at all.
4. This is why devolution of employment and skills continues to form a critical part of Growth and City Deals, and community budgets. Bilateral negotiations between cities and Whitehall are starting to achieve freedoms and flexibilities. Greater Manchester's deal includes an ability to re-shape Further Education provision by 2017, joint commissioning with DWP on the next phase of Work Programme, pilot work to support older workers with long-term health conditions, and an expanded Working Well project which currently supports ESA claimants. London boroughs are negotiating a pan London devolution of all funding for employment for those further from the labour market including all ESA claimants, youth programme, local welfare support programmes and co-commissioning of the Work Programme. Leeds City Region is negotiating a similar deal. Despite these positive developments, councils remain unsatisfied with the pace piecemeal approach to devolution taken by the Government.

### **Achieving our ambition**

5. Given this is a significant policy objective, Board Members felt that several iterative steps were required to work towards our goal, which included:
  - 5.1 Setting out the context for why devolution is necessary;
  - 5.2 Developing a credible evidence base of what works locally;
  - 5.3 Influencing stakeholders and politicians; and

- 5.4 Developing an LGA cross party proposition for a future local commissioning model, which can be presented to an incoming Minister (this is dealt with in the final section of this report - Issues for Members to consider).
6. To inform our work, we have also worked with the following Chief Executives nominated by the bodies which make up the Board: Tom Riordan (Leeds, Core Cities), Lesley Seary (Islington, London Councils) and Kersten England (York, Key Cities), and will continue to seek their advice regarding our next steps.

### **The context for why devolution is necessary**

7. The City Regions and People and Places Boards jointly commissioned the Centre for Economic and Social Inclusion (Inclusion) to produce a series of three research reports. Their aim was to examine the skills and employment challenges that will be faced by an incoming or returning Government, and set out how localised reform proposals could offer solutions to those challenges as Ministers re-consider the way in which provision is commissioned and delivered. We have delivered on this, and are at a half way stage in this project. Some evidence is yet to be concluded, so Members views would be particularly helpful.
8. The **first report**, [Realising Talent: employment and skills for the future](#) (See **Appendix A** for a summary of the report) focused on setting out how nationally commissioned employment, skills and welfare impact on local places and local growth projections. It was the first time research has been undertaken to project a local skills deficit, its impact on future local growth ambitions and what that implies for local and national productivity. It was launched at the 2014 LGA annual conference, and received press coverage in the Financial Times and Daily Telegraph, among others. The report findings are powerful.
9. **The second report** (See **Appendix B** for an outline of the report) focuses on the impact of a nationally commissioned employment, skills and welfare system on the unemployed and people in low skilled jobs. A draft executive summary of the report will be circulated to Board Members in advance of the meeting. It is anticipated that this report will be published in February. As the report is still at drafting stage, Dave Simmonds, Inclusion's Chief Executive, will present interim findings. **Board Members will be able to influence the final shape of this report.**
10. **The third and final report**, to be published in the spring, 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 model for the future. Setting out the future challenge in this way offers an incoming or returning future Government in 2015 local solutions which can be implemented in 2016. The detail for this will be planned on the rise of this meeting based on members' observations.
11. In developing the detail we are working with a group of eleven areas – a mix of cities, city regions and counties – to develop the detail of this work. These include:
  - 11.1 **Cities:** Greater Manchester; North East Combined Authority; Southampton and Portsmouth; South London community budget (Lambeth, Lewisham and Southwark); and the West Yorkshire combined authority; and

11.2 **Counties:** Devon; Essex; Lincolnshire (LEP); Shropshire; Staffordshire; and Surrey.

12. This work also includes a new focus on adults (over 25s) to complement LGA's ongoing and effective Hidden Talents work focusing on young people (16-24 year olds).

### **Developing a credible evidence base of what works locally**

13. Board members and our Chief Executive sounding board were clear that a tangible local evidence base was needed of what works, which builds on work already undertaken by city regions, and follows a methodology which resonates with DWP, BIS and the Treasury. We are grateful to Liverpool City Council for making the original suggestion for this initiative.
14. Subsequently the Board commissioned the National Institute for Economic and Social Research (NIESR) to provide **independent analysis of council-led schemes to support people towards work**. This was jointly commissioned by the City Regions and Children and Young People Boards. Nine councils were involved in the research, which included Bradford, Bury, Cornwall, Gateshead, Haringey, Liverpool, North Tyneside, Southampton and Surrey.
15. The report (See **Appendix C** for a summary of the findings) is to be published in mid-January. A draft copy of the report was shared with lead members of the Board in December. An embargoed copy (not for circulation) is circulated alongside Board papers, but paper copies will be printed for the meeting. Jonathan Portes, Director, and Heather Rolfe, Senior Research Fellow from NIESR will present findings from the report.

### **Influencing stakeholders and politicians**

16. In addition to the above next steps, the LGA is lobbying Whitehall and stakeholders to influence policy.
17. The Department for Work and Pensions (DWP) is now looking at the development and design of the next phase of back to work schemes once current Work Programme and Work Choice contracts expire. This is due to a number of reasons including a need to address poor performance particularly for more vulnerable people, (groups of) councils entering bilateral devolution negotiations on employment and skills with the Government, and the likelihood of full devolution to the Scottish Parliament.
18. The LGA, on behalf of all councils, is leading discussions with DWP. We convened a roundtable in October 2014 on Work Programme Plus, DWP's proposed successor arrangement to the current contracts. Officials heard clearly about the challenges local areas face in tackling worklessness due to the constraints of nationally commissioned programmes, their ideas of integrating back to work, skills and welfare support, and evidence of council-led schemes which led to sustained jobs outcomes for unemployed people.

19. Over the coming months, officials will put recommendations to Ministers on how to take forward next steps. We continue to keep the dialogue open with DWP, and will now develop more systematic engagement. Issues we will put forward to explore include service integration to support unemployed people for instance those with mental health issues (both at national and local level), progressing the devolution agenda, and formalising partnership between councils and central Government agencies. It is fair to say that there is a difference in opinion between the LGA / councils on one hand and DWP on the other about the extent of local government's involvement foreseen in future back to work support.
20. Officers met with the Employment Related Services Association (ERSA), which represents Work Programme providers. They are open to arguments on locally-led commissioning. We have planned a roundtable on 29 January to bring councils and ERSA providers together, after which we will develop a task and finish group which will focus on developing joint work where our policy ambitions align.
21. The LGA is also scoping out joint work with the National Institute of Adult Continuing Education (NIACE) on localised adult skills. Members will be updated on progress at the next Board meeting. We have had initial discussions with BIS on adult skills but our approach for follow up has not been reciprocated. Members support is encouraged to get traction with BIS on this issue.

#### **Issues for members to consider**

22. We have delivered the first stages of our objective by setting out the policy context for devolution and providing a compelling local evidence base. **Our next step is to develop an LGA cross party proposition which can be presented to an incoming Minister and Government.**
23. **It is suggested that Inclusion's third and final report becomes the blueprint.** This will be a devolved, place based model for commissioning integrated employment, skills and welfare at the level of city regions and / or groups of councils. It should set out what it would deliver in terms of reducing unemployment, and contribute to the broader objectives identified in the LGA's '100 days' document.
24. This will build on the work highlighted in this report and take into consideration existing work in city regions. Rather than provide a one size fits all model, this will enable different approaches to be pursued, including differential devolution which can be applied to all areas. Some principles of how this could work (**Appendix D**) are based around our thinking on local government's involvement in future back to work support, which we are using to discuss with the Government, the shadow Secretary of State, and a range of stakeholders. **Members are invited to make suggestions on how this can be strengthened.**
25. The blueprint would require sign-up from the eleven areas involved in the Inclusion research. The LGA and Inclusion could work with the areas to identify a small group of areas who are willing to provide a test bed for this model, and be put forward as an expert group to work with a new or returning government to reform the entire system. This would enable us to provide an incoming Government with a programme of work which has identified the challenges, provided a solution, and put forward a group of

experts who could develop the detail for reform. From this we could also develop a series of pilots.

26. **Members are asked to provide a steer on whether this feels like a tangible product we can deliver, and achieves our policy ambition to influence opinion over the next few months in the run up to the General Election, and beyond that, the decisions of incoming Ministers. The detail for this work will be planned on the rise of this meeting taking account of Members' recommendations.**
27. Ministers need to be convinced to take bold decisions on devolution within the context of public sector reform and reducing service demand as we continue to be faced with reducing public finances. This ambitious proposal will require a leap of faith, firm commitment and an acceptance of responsibility from both central and local government. **Members are asked for a steer on how best to navigate this politically.**

**Appendix A: Inclusion Research Report 1. [Realising Talent: employment and skills for the future](#), launched at the LGA annual conference in July 2014**

The first research report focused on setting out how nationally commissioned employment, skills and welfare impact on local places and impact on local growth projections for 2022.

**A significant and growing skills gap:** by 2022 the current population will have a qualification level of 2.3, but to achieve growth, level 3 and above is required. Closing this skills gap means increasing everyone from an average of 5 GCSEs to 3 A Levels (or equivalent).

The gap results from fewer jobs requiring people with low qualifications; and more high skilled jobs than there are people qualified to these levels.

- a surplus of 5.5 million low skilled workers (qualification levels 0-1) as 9.2 million people will chase 3.7 million low skilled jobs.
- a surplus of 2.4 million people with intermediate skills (Levels 2-3) as 12.6 million people will chase 10.2 million jobs
- a shortage of 2.9 million high skilled workers (Levels 4 and above) - only 11.9 million high skilled workers for 14.8 million high skilled jobs.

**National solution is not the answer:** the local areas featured had employment and skills needs and challenges as unique as their local solution, which must reflect: levels of employment, unemployment, economic activity and benefit claimant profile; spare capacity in the local labour market; existing skills profiles; and growing / declining sectors in the local economy.

**Skills deficit will constrain economic growth:** projected growth across England is £1.4 trillion by 2022, but employers predicted to bring local growth may not be supplied with the skills they require. As a result of not investing in skills, a productivity shortfall of 16-25% is expected across England – up to £374 billion, equating to £164 billion in lost tax to the Treasury – enough to cover adult social care services for over a decade.

**Economic growth may not reach everyone or every community:** despite recent falls, unemployment is still just under 2 million. As an England average, there is already 16% spare capacity in our working age population. The growing skills gap will make this worse. The low skilled and long term unemployed will lose out.

**The current national employment and skills system needs reform:** The current approach to commissioning / delivering this is centralised, complex, and fragmented, with insufficient connection with local areas / services. £13 billion spent annually on skills and employment support through 28 programmes and budgets (2013/2014).

**Councils' ability to influence the skills gap, unemployment, underemployment, and create growth is constrained.** An LGA survey of councils (June 2014) said 79% of councils say it is very / fairly difficult to flex the plethora of national schemes delivered in their area. 87% have insufficient oversight over providers in their local area. 84% felt DWP programmes responded to local need to a small extent / not at all. 82% say there is a mismatch between SFA skills supply and employer demand.

**Appendix B: Inclusion Report 2 on the impact of a nationally commissioned employment, skills and welfare system on local people – outline of the report**

Please note, a draft executive summary will be sent via email in advance of this meeting. As the report is still at drafting stage, Dave Simmonds from Inclusion will present interim findings to Board Members to influence the final shape of this report. It is expected to be published at the start of February.

This report, to be published in February, will complement the broad geographical perspective taken in the first report by exploring the impact of a centralised, nationally commissioned employment, skills and welfare system from the perspective of individuals seeking employment, progression and additional support, particularly those with multiple support needs. It will also explore how their needs might be more effectively met by a more locally responsive and integrated service. Below is an outline of the key elements of the report.

- It will use a series of pen-pics to highlight typical journeys for those seeking employment and progression. These will include a lone parent, an older person seeking retraining after redundancy, a long-time unemployed Employment and Support Allowance (ESA) claimant recently reassessed as fit for work, and a young person not in education, training or employment (NEET). These will enable us to highlight touch-points and interactions with the employment, skills and welfare system. We are drawing on the experiences of the eleven areas to set out the ways in which the current system causes obstacles, confusion and disincentives for individuals, and barriers to integration and personalised support for providers.
- Set out what is currently provided nationally and locally including the number of agencies/programmes, and what is needed to improve experiences and outcomes for those seeking employment and progression. This will also include the LGA/ Inclusion welfare reform tracker to highlight challenges and the effectiveness of the welfare safety net.
- Set out figures which illustrate outcomes for key groups who currently face the greatest barriers to employment and progression. This will be displayed on a map enabling us to show variations of needs of individuals in different areas.
- Set out examples from other service areas where a more devolved approach has allowed for greater integration and personalisation and improved outcomes including Troubled Families and Universal Support delivered locally (USdl).

**Appendix C: NIESR report for the Local Government Association: independent analysis of council-led schemes to support people towards work**

The report is to be published in mid-January, and an embargoed copy of the report is circulated with the Board papers. Jonathan Portes, Director, and Heather Rolfe, Senior Research Fellow from NIESR will present findings from the report.

Originally we commissioned NIESR to cover the effectiveness of each scheme, based on outcomes and the factors driving it, comparative success rates with national programmes, and projecting the outcomes if the success rates were scaled up across the country. Nine councils were involved in this report. These included Bradford, Bury, Cornwall, Gateshead, Haringey, Liverpool, North Tyneside, Southampton and Surrey.

The report conclusions are compelling. The local schemes complement and enhance, rather than duplicate, national provision. In some cases they out-perform national schemes where comparable data was available. The most compelling conclusion of all was that the council-led schemes worked with some of the most vulnerable groups in society. These are people who have been failed by national support including the Work Programme, and the economically inactive who are not claiming out of work benefits.

Of significant concern is that while unemployment is falling, the number of unemployed people not claiming out of work benefits is increasing. In December 2014, this topped 1 million, a 25% increase from mid-2013. This means that over half of all unemployed people receive no Government support to get them into, or towards work.

It concludes that where local schemes are most effective, it is down to their ability to:

- Reach out into the community, including through the voluntary and community sector, to identify and target the most vulnerable, and understand what has and has not worked for them until that point
- Identify gaps in provision, rather than compete with national schemes, to design bespoke provision which target different, and often more disadvantaged client groups i.e. economically inactive, long term unemployed, young people, lone parents and ex-offenders to address root causes as well as supporting them towards work
- Ability to knit services together as far as the national system allows, and coordinate activity with local public, private and third sector organisations
- Provide personalised, consistent, intense and continuous support through a case worker approach with routes to specialist support services including skills, housing, childcare, (mental) health, debt management and substance misuse. This has proven so valuable in the council led Troubled Families initiative
- Recognise that steps towards work – training, work placements and volunteering – can be a more effective outcome for some clients, rather than compel them in to a job they are not ready for.

**Appendix D: LGA principles on local government's involvement in future back to work support and future integrated model for commissioning employment, skills and welfare**

**Groups of councils should commission provision**, with power, funding and lead responsibility to integrate and commission back to work support from 2017 (when current Work Programme/Work Choice contracts end) with skills and welfare support.

- **for people with complex needs or those furthest from the labour market**, it should be fully devolved. Local Labour Market and Skills Agreement between local areas and central government could set out funding levels for employment and skills, (plus health and adult care to increase employment for people with mental health issues) with shared risk / reward based on cost benefit analysis, target groups and projected outcomes, plus local / national accountability and performance arrangements. It would **reduce long-term unemployment by a third** over the next parliament based on the Greater Manchester Working Well pilot.
- **for those who spend short periods on the Work Programme**, they should (co-) commission provision with DWP to reduce people cycling in and out of employment.

**Councils accept that scale is required to take on this role.** Groups of councils will work with the Government to determine an appropriate geography for their functional economic area based on travel to work / learn patterns, which is in place by 2016/2017, dependent on when future support is next commissioned. This could be a combined authority, community budget or LEP level etc. Flowing from local agreements (above), each would develop commissioning plans, which could be aggregated up as chapters of a wider geographic area.

**Reform and devolution of current back to work support is needed. A more effective, locally led programme would:**

- **identify hard to reach groups**, through councils' reach into the community, and their links with the voluntary and community sector
- **organise support defined by characteristics of different groups** – long term unemployed, clients with health related issues, the homeless, care leavers etc – rather than claimant type, and on cumulative rather than consecutive unemployment, enabling effective targeting of client groups and target outcomes. Conditionality and payment models also need revisiting.
- **integrate services to support hard to reach groups.** Public service transformation will enable integration, cost savings and performance gain. National programmes, funding and services should be aligned (employment support, skills funding, health and social care, Universal Credit and Troubled Families) to enable local services and interventions to be integrated. Formalised partnerships of councils and central Government agencies are required, which to date, rely on goodwill to work together.
- **use case workers, co-location / seconded staff between organisations, and more manageable caseloads.** For instance a case worker approach for people with complex needs / long-term unemployed would bring together employment and skills provision, with welfare support and other local services people rely on including housing, childcare, (mental) health, debt management and substance misuse, would improve client

transitions between providers and agencies, instead of people falling through the cracks of fragmented national schemes, including £13bn employment and skills support.

- **Be speedier, with more effective signposting/referral for unemployed people led by councils** (with JCP and Citizens Advice Bureau) through co-location through Universal Credit pilots.
- **Access a wide variety of jobs** with council/LEP contracting, regeneration, and growth activity, working with SMEs/large employers, to equip people with skills to compete for local jobs, reduce unemployment, meet employer demand, and stimulate local /national growth.
- **Ensure providers were selected on their ability to deliver**, measured by a) demonstrate capacity and expertise and a supply chain to deal with clients b) be plugged into local partnerships, understand local labour market conditions and challenges, develop provision which responds to it, and adapts to changing circumstances, and c), and accountable to central government and to the local areas in which they serve (democratically elected councils).