

Work Local

Our vision for an integrated
and devolved employment
and skills service

Foreword

Across the country, there are significant employment and skills challenges which we believe the fragmented national system is at best failing to address and, at worst, contributing to. So the Local Government Association (LGA) is consulting on a practical plan to integrate and devolve employment and skills services which would help thousands of people back into work, inject hundreds of millions of pounds into local economies, close the widening skills gap, and deliver better outcomes at lower cost by taking into account local circumstances.

All councils, working with local businesses and partners, want to build strong, resilient economies where residents contribute to, and benefit from, growth. Fundamental to achieving this is a steady supply of skills and jobs, fostering local business growth and effective support to help people get on in life. This is especially important as every area looks to contribute to the delivery of a successful industrial strategy in a post Brexit Britain.

But new research commissioned by the LGA reveals that the skills gap is worsening. By 2024 there will be more than four million too few high-skilled people to take up available jobs, two million too many with intermediate skills and more than six million too many low-skilled. Failure to address these gaps puts at risk four per cent of future economic growth, while the average worker will be £1,176 a year worse off. Nine million people lack literacy and numeracy skills, more than half of all unemployed people do not claim benefits or receive employment support from Jobcentre Plus, while 5.5 million people want a job or more hours. All of this is bad for the economy, employers and individuals.

And importantly, the picture varies between areas – with some places at or close to full employment and with skilled workforces, while others are still recovering from recession and facing challenges in employment, pay and productivity.

Yet both the employment and skills systems are highly centralised, with little or no scope for local areas to influence priorities or funding so they can target support. National agencies lack a common plan on how to work together and have no duty to discuss with democratically elected councillors how services will join up in their areas around service users and reflect local economic priorities.

At the same time, accountabilities between national agencies are highly fragmented – with £10.5 billion of employment and skills funding commissioned nationally by Whitehall or its agencies, scattered across 20 different national schemes. We can ill-afford this fragmented approach to employment and skills services.

This is why the LGA is putting forward **‘Work Local: our vision for an integrated and devolved employment and skills service’**. Combined authorities and groups of councils, in partnership with local stakeholders, will plan, commission and have oversight of the service. It would bring together advice and guidance, employment, skills, apprenticeship and business support around place, providing a more coherent offer for the unemployed and low skilled of all ages, while supporting local economic growth by forging better links between training providers and employers. We recommend practical steps that should be taken now to make our vision a reality. **Across a local area, Work Local could each year result in 8,500 more people in work, additional fiscal benefits of £280 million and a benefit to the economy of £420 million.**

There are clear benefits – for the economy, residents and delivery organisations – in improving how employment and skills services respond to local needs and how they are organised and delivered locally.

Local government is ready to lead. Our vision is ambitious, and we recognise it requires everyone involved to think and act differently, but the potential gains are significant for the local and national economy and for our residents and businesses. We believe it can be achieved if there is the political will to do so.

We recognise that no one organisation has all the solutions. That's why we are keen to hear your views on our proposal over the summer, to build a coordinated partnership with a clear vision for the future.

And finally, a special thanks to the councils that shared their expertise, knowledge and ideas with us and to L&W that helped with the development of this vision.



Councillor Sir Richard Leese CBE
Chair, LGA City Regions Board



Councillor Mark Hawthorne MBE
Chairman, LGA People and Places Board

Acknowledgements

The LGA is particularly grateful to Tony Wilson from the L&W for leading the research behind this proposal. Special thanks also go to the local areas that worked directly with us to shape the proposal by sharing their knowledge, expertise and ideas. They include the City of Bradford, Cheshire West and Chester, Cornwall Council, Essex County Council, Greater Manchester Combined Authority, London Borough of Islington, Lincolnshire County Council, Liverpool City Region, North East Combined Authority, Southampton on behalf of Solent area, and Staffordshire County Council, Suffolk County Council.

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Executive summary

The employment and skills system needs reform

We have one of the most centralised employment and skills systems in the developed world – with central government and its agencies directly responsible for employment and skills policy, design, funding and oversight. For most of the system, local areas have little ability to influence priorities, funding and delivery, with services having different objectives, accountabilities and ways of working; and often operating to different boundaries and timescales.

This means that the employment and skills systems are also fragmented with 17 funding streams managed by eight departments or agencies and spending more than £10 billion a year. Despite this level of investment, they often fail to meet local need, address economic and social challenges, or make a decisive impact on outcomes for people or places.

This is bad for the economy, for employers and for individuals. It has resulted in nine million people lacking literacy and numeracy skills, 16 per cent of England's workforce – or 5.5 million people – who want a job or more hours, more than half of all unemployed not claiming benefits and so do not receive employment support, while, one in 10 of those in work in insecure employment. On current trends, by 2024 there will be more than four million too few high skilled people to meet demand for high skilled jobs; and more than six million too many low skilled.

Failure to address these gaps puts at risk up to four per cent of future economic growth – equivalent to a loss of economic output of £90 billion. At an individual level, this means an average worker would be on average £1,176 a year worse off (or around £60,000 over a working lifetime).

Fixing the skills and employment systems are today's business. However despite this pressing case for change, progress on devolution has been slow and piecemeal. Successive governments have experimented with giving local areas more control over aspects of the employment and skills systems, through a model of 'earned autonomy' – where areas negotiate devolution of specific funding streams or programmes but with strings attached. Governments of all colours have struggled to let go.

There is now a clear case for going radically further and faster. Local areas want more influence and control, and devolution to Scotland, Wales and Northern Ireland shows that more radical approaches are possible. A new settlement is needed, that will be:

- **good for the economy** – by integrating services, responding to local economic needs, and delivering better outcomes at lower costs
- **good for people** – with more personalised, joined-up and responsive services
- **good for employers** – by delivering a locally rooted, demand led and integrated approach.

‘Work local’ – a new model for integrated employment and skills

This proposal draws on research, analysis and engagement with local areas led by L&W. It describes a vision for an integrated, effective and locally responsive employment and skills system that can meet the labour market and skills challenges of the future.

This new service, Work Local, will be organised at the level of combined authorities and groups of councils – simplifying and aligning myriad existing boundaries, and creating a coherent system locally and nationally.

A ‘one stop’ service that is rooted in place

At the heart of a reformed model will be a new, ‘one stop’ service bringing together information, advice and the delivery of employment, skills and wider support for individuals and for employers.

This Work Local service will:

- **Bring together and localise support** that is currently fragmented across business support, local growth, careers services, JCP services, adult skills, apprenticeships support and employment programmes. By bringing these together it will reduce costs, complexity and duplication; improve services; and respond to local needs.
- **Make full use of physical assets** across the range of services that host or deliver employment and skills services – including colleges, councils, universities, JCP offices, Chambers of Commerce, children’s centres, libraries, schools and many more. Services will work together to provide a co-ordinated, locally tailored, physical presence and a digital presence to broaden access to services.
- **Have a clear offer for individuals and for employers, which** for individuals means a single system that can help with improving skills, preparing for work, finding work, changing careers and progressing in work. For employers, this means going beyond just placing vacancies and helping with recruitment. It means also helping businesses to grow: to develop their workforces, navigate the system, access funding, and deliver training, work placements, apprenticeships and other opportunities.
- **Connect to wider services, partners and support** so that Work Local not only integrates employment and skills, but must also act as a gateway to more specialist services and support that individuals and employers may need – including health services, budgeting support, housing and welfare. It will create the opportunities to co-locate services, join up with other council services and work in partnership with the wider public, voluntary and community sectors.

With clear and responsive local leadership

Successful public service reform relies on effective local leadership: committed local leaders, shared objectives, and a positive approach that empowers operational staff to work together and overcome problems.

Councils are best placed to take this convening and leading role, as we are doing through Devolution Deals from Teesside to the West of England. This clear local leadership would work with national government as full partners, as councils have done in the Universal Support trials to support the rollout of Universal Credit.

Employers in both the public and private sector must also play a central role in Work Local. Local Enterprise Partnership (LEP) boundaries should be aligned with Work Local and be fully involved in advising on service design and delivery, support on investment decisions, and convene key employers and partners.

This model will build on the lessons from a number of countries. For example in Denmark, municipal governments lead on developing annual employment plans and overseeing local delivery, working with a range of local partners. In the United States, a network of 600 employer-led Workforce Investment Boards lead on employment and skills investment and oversight.

That is driven by local opportunities and needs

Devolution of funding and control will free up local areas to design services that meet local needs and respond to local priorities rather than to one-size-fits-all rules.

- **Different jobs.** The nature of employment is different in different areas. For example, manufacturing accounts for more than one in five jobs in Burnley but fewer than one in 50 jobs in Cambridge; while public sector employment varies between 11 per cent and 31 per cent of employment locally. Locally designed and led services can be driven by and respond to local demand.
- **Different people.** Local areas have different residents with different needs. The proportion of residents with low qualifications ranges from one in three residents in Sandwell to one in 17 in Richmond on Thames; and while more than a quarter of residents of Blackpool have a work limiting disability, just one in 10 residents of Waltham Forest do. These differences matter, with disabled people more than twice as likely to be out of work as those who are not disabled. Work Local would enable services to address these local needs, by adjusting rules that get in the way of reaching specific groups, or of creating incentives to support those most in need locally.
- **Different economies.** Most starkly, there are wide variations in incomes and opportunity between different parts of the country. For example, weekly wages are 50 per cent higher on average in Cambridge than they are in Southend; while worklessness is twice as high in Rochdale as it is in Surrey. Some areas have emerged strongly from the downturn but many more still face significant challenges. Addressing these needs requires different responses from public services and areas.
- **Different geographies.** What works in delivering services in major cities will be different to what is needed in suburbs, towns, rural areas and more mixed communities. So Work Local needs the flexibility to meet these needs, from integrated centres in urban areas to 'hubs' and 'spokes' delivering services rurally.

Local areas have different priorities and needs. Effective, responsive employment and skills services will need to target different groups and different employers with different provision and in different ways. The current, top-down model cannot possibly be expected to meet the needs of areas as varied as from Blackpool to Brentford, and from Bassetlaw to Bath.

Within a common national framework for devolution of strategy, financing and delivery of employment and skills

Delivering this vision requires a new settlement on the political and fiscal levers for employment, skills and growth. This means devolving:

- **financial control** – with funding devolved through block grants to combined authorities and groups of councils
- **strategy** – with these areas then able to set objectives, agree policy and design responses that meet local needs
- **delivery** – so that the commissioning, delivery and oversight of provision happens locally and can be integrated and aligned across services.

It is envisaged that Work Local would be funded through a combination of continued national grants, progressive devolution of existing funding streams and local revenue-raising – creating a single, seamless system with the following being fully devolved:

Employer support

- investment and growth support (including current European funding and successor arrangements)
- growth hubs.

Careers and transitional support

- careers services, including National Careers Service
- Careers and Enterprise Company
- Youth Obligation

Education and skills

- post-16 skills funding
- adult skills – including Adult Education Budget, Advanced Learner Loans and current European funding and successor arrangements
- control over non-levy apprenticeships funding and apprenticeship grants, and co-commissioning of the Register for delivery of apprenticeships for larger, Levy-paying employers
- National Citizen Service.

Employment

- JCP employment support – including employment support for benefit claimants, and Flexible Support Fund
- employment programmes – including Work and Health Programme.

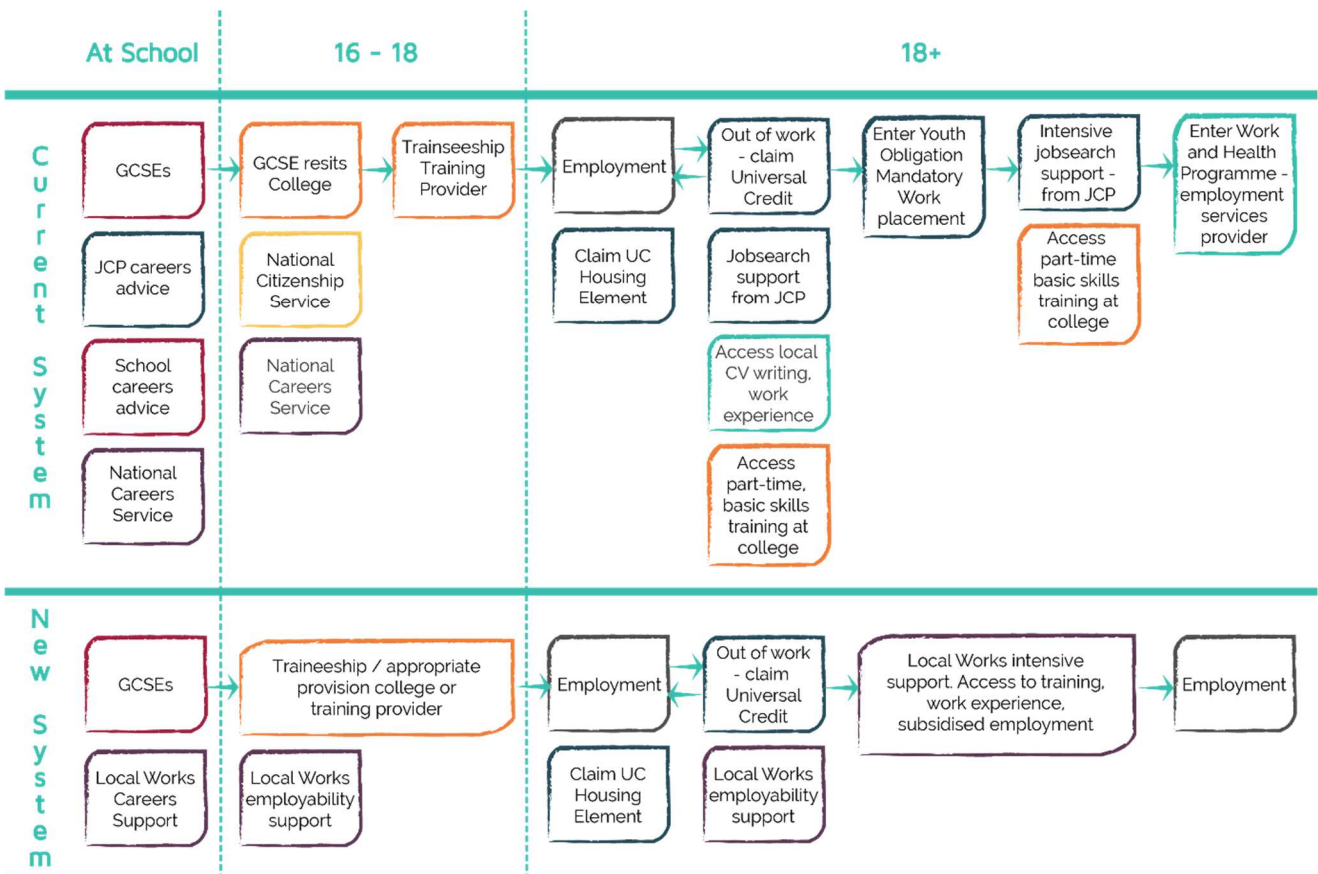
This devolution deal would be within a clear national framework, to recognise those areas where there are benefits – for employers and citizens – in maintaining a national approach. In particular, it would maintain national approaches to:

- qualifications, levels and standards in education and skills
- apprenticeships frameworks and the Apprenticeships levy
- Universal Credit, including core conditionality rules and a national agency to administer entitlements.

This national framework for devolution would also set clear common entitlements where those are appropriate – in particular entitlements to access support with basic and digital skills, English and Maths; to careers advice; and to employment support for disadvantaged groups. These entitlements would be transparent, measured and reported on.

Improving the experiences of individuals and employers

Work Local will deliver more accessible, responsive and integrated support for individuals, employers and partners. This will make the system easier to navigate, and ensure that those using it can get the right support from the right place at the right time. So for a young person making the transition from learning to employment, this will draw together and integrate support in a single place that is currently delivered through at least six different services – as is set out below.



For both employers and individuals, those accessing Work Local will have guaranteed service levels, that are determined locally but that incorporate national minimum entitlements.

Governed by Local Labour Market Agreements

To make these reforms possible, central government and each combined authority or group of councils will agree a long-term, Local Labour Market Agreement (LLMA). This will set out the transfer of powers and the key requirements of the new system described above.

Underpinning these will be annual Service Level Agreements describing:

- **key outcomes** that will be achieved – with four common headings:
 - jobs and investment – employment levels, growth and composition
 - employment – entry and sustainment for key groups, including young people, Universal Credit claimants, and targeted disadvantaged groups
 - skills – improvements at different levels and responsiveness to demand
 - service satisfaction – for employers, individuals and partners.
- **responsibilities** – between Work Local, central government and other key local partners
- **funding commitments** – how Work Local employment, skills and growth funding will be used
- **delivery plans** for Work Local and commissioned services
- **partnership agreements** – with clear line of sight through to partner services, for example in health, justice and the voluntary and community sector; and employer compacts to support local delivery.

These agreements would be governed locally by joint boards, building on the Integration Boards being developed in current devolution deal areas, and drawing together local and national public services, employers and key local partners.

Delivering better outcomes at a lower cost

By pooling budgets, aligning objectives and removing silos, Work Local will deliver significant economies of scale in what services are delivered, for whom and how. It will be able to commission more intelligently and responsively, with less duplication and a clearer focus on outcomes.

Using data for an anonymised combined authority, analysis by L&W estimates that an integrated, Work Local model with current funding could lead to additional fiscal benefits for a local area of **£280 million** per year, with a benefit to the economy of **£420 million**.

Making this vision a reality

Local government is ready to lead. With commitment from central government, this vision for employment, skills and growth can be put in place within five years. To make it happen, we need:

This year:

1. **For central and local government to create the conditions for devolution.** Putting in place the key principles, core requirements and one set of employment and skills readiness criteria.
2. **Agreement to a stronger local role in current employment and skills policy and delivery** – including in apprenticeships, technical education reform, local adult skills planning, the successor to the European Social Fund (ESF), and oversight of employment services including Job Centre Plus (JCP) and the Work and Health Programme. A key first step would be to halt the replacement of National Careers Service, and that the long awaited review of careers advice devolve the co-ordination, commissioning and funding of all-age careers advice to local areas.

By 2020:

3. **Local and national investment in building the capacity for devolution** – knowledge transfer, capacity building and developing the systems and governance to support Work Local
4. **Progressive transfer of funding and powers** – including adult skills funding, the replacement to European Social Fund and future employment programmes.

By 2022:

5. **Trialling of the first Work Local areas** – with Local Labour Market Agreements (LLMA), ‘one stop’ services and joint oversight and governance.

1. Introduction

To meet the challenges of the future, the employment and skills system needs fundamental reform. In 2015, the LGA's 'Realising Talent' programme set out the case for reform and the principles that should guide future devolution of employment and skills.¹ For the last six months, the LGA has been further developing these proposals – commissioning the L&W to explore how modern, more integrated and localised employment and skills services could be funded, designed and delivered, drawing on insights from the British Isles and lessons from overseas.

This report sets out a detailed proposal for Work Local – a new, devolved and modernised system for employment, skills and local growth.

Alongside this report, we are also publishing a detailed report from L&W to the LGA, which sets out key findings from its research and options for reform². Both papers draw on five linked areas of work, which are set out in more detail in the accompanying report:

1. **An evidence review** looking at good and bad practices in delivering local employment and skills services – covering international approaches (in Canada, Denmark, Germany, The Netherlands and the USA) as well as current and historic initiatives in the UK.
2. **Consultation and engagement with councils** – in particular, through in-depth interviews and workshops with twelve areas³, three of which have provided more in-depth case studies (Lincolnshire, Liverpool City Region and Solent).
3. **A survey of all councils** to seek their views on the extent to which services meet local needs and are joined up locally.
4. **New data analysis** to explore the extent to which future skills will meet future labour market needs, and the impacts on the economy of any imbalances.
5. **Options development** – drawing together the above strands to develop potential models for how services could be reformed and improved.

The project is guided by six key principles, set out below.

1. **This project should build directly on Realising Talents.** This called for **Local Labour Market Agreements (LLMA)** between national and local government; the devolution of employment support for the most disadvantaged and of skills funding for adults; and a more locally integrated approach to jobs brokerage for the unemployed.
2. **We are seeking transformational change rather than more tinkering.** The narrow, 'earned autonomy' approach that has been followed in previous devolution agreements is primarily intended to fix problems created by failures in the mainstream employment and skills system. Addressing these root causes requires more fundamental and transformational change.

¹ <https://www.local.gov.uk/topics/employment-and-skills/realising-talent-case-devolved-employment-and-skills>

² Interim report from the L&W to LGA, May 2017

³ These areas are: Bradford, Cheshire West and Chester, Cornwall, Lincolnshire, Essex, Gateshead, Greater Manchester, Islington, Liverpool City Region, Southampton, Staffordshire and Suffolk

3. **The scope of this work – and any local employment and skills service – should include economic development, local growth, employment support and adult skills.** This must be more than just JCP contracted employment programmes and the Adult Education Budget (AEB).
4. **There won't be a 'one size fits all' approach to devolution.** LLMAAs may be different in different places, but they will all set out how the employment and skills system will be tailored to meet local needs, and will all be within a common national framework.
5. **To achieve the benefits of devolution, services need to be integrated and not just co-located.** So integrated hubs or One Stop Shops need to bring services together in the front and back office, rather than just share premises.
6. **Our proposals should be cost neutral.** This may require co-funding between central government and local government, revenue raising (eg from renting space or providing services) and private investment through the involvement of LEPs, recruitment agencies and other partners.

Chapter 2 sets out the headline case for changing the employment and skills systems, which is explored in more depth in the accompanying report. It describes the significant challenges in the labour market and in adult skills that are not being met or are being made worse by the current system; the impact of how services are organised and delivered; and the potential benefits of a more devolved and better integrated system.

Chapter 3 then describes the key features of the new, devolved system – built around a 'one stop' service, clear local leadership, local responsiveness, a common framework for devolution, and LLMAAs. This will improve the experiences of individuals and employers, and deliver improved outcomes at a lower cost.

Chapter 4 describes the steps that need to be taken over the next five years in order to achieve this vision, before Chapter 5 sets out a number of questions on which we would welcome input and views from key partners and stakeholders.

What do we mean by 'local'?

In this report, as in the previous Realising Talents reports, by 'local area' we mean combined authorities and groups of councils which can work together at a wider spatial level.

Currently there is a complicated landscape of boundaries, including LEPs, combined authorities, 'multi-borough areas', Work and Health Programme areas, JCP districts and Education and Skills Funding Agency regions. It is now widely accepted that wider functional economic areas are the most appropriate level at which local economic planning should take place, with local government as the democratic, accountable body.

We recommend that the new government review LEP areas, aligning with new groupings of councils (such as combined authorities) that provide the economies of scale for devolved powers, and which consider ongoing transformation of public services and their governance.⁴ **At the same time central government should review JCP districts, Work and Health Programme contract areas, and Education and Skills Funding Agency regions to align with new boundaries.** This requires significant changes, so a move towards it should not halt progress on moving the devolved employment and skills agenda forward.

⁴ Recommended by the Independent Commission on Economic Growth and the Future of Public Services in Non-Metropolitan England, March 2015

2. Why the system needs reform

While successive national Governments have sought to reform both the employment and skills systems, over the last two decades they have continued to face significant strains in addressing economic and social challenges, and have failed to make a decisive impact on improving outcomes for people or places.

The Government's Industrial Strategy⁵, Green Paper on work, health and disability⁶ and Post-16 Skills Plan⁷ set out a range of new economic and social challenges which the systems need to urgently address.

On employment, this includes in particular a need to improve outcomes for those further from work, reduce long term and youth unemployment, tackle the gap in employment outcomes for disabled people in particular, and to address significant differences in opportunity between areas. On skills, we face a range of challenges at different levels – including large numbers of adults with poor basic skills and capabilities; shortages of higher-skilled technical and vocational workers; geographical differences contributing to lower growth, poor productivity and low pay in many areas; an assumption that Brexit will result in less access to EU migration - affecting both the supply of workers and demand for skills and the extent to which automation and technology will change the world of work and the jobs that we do.

Meeting these challenges will require the employment and skills systems to be well co-ordinated, high performing, responsive to the needs of employers and local areas, and focused on growth and productivity with an ability to anticipate and respond to change quickly. Brexit is making sectors and employers consider their skills requirements, and is likely to be an incentive to engage more with the skills system.

Labour market and skills challenges

Meeting employment needs

Employment in England has recovered strongly from the global downturn, with the employment rate now higher and unemployment lower than before the recession began. Overall, 74.6 per cent of the working population are in work. However, beneath this headline success story there are significant challenges.

First, a large proportion of the unemployed **do not claim unemployment benefits**⁸. JCP is in effect a Claimant Employment Service rather than a public service, so those not claiming benefits do not receive support. We estimate that **52.1 per cent** of all of the unemployed do not claim unemployment benefits – a figure that has risen from 40.2 per cent in 2010.⁹ While this saves the Government from spending more in welfare benefits, it not only fails to provide unemployed non-claimants with the right support they deserve to get into a job but it also reduces the tax paid into the public purse, further harming local and national productivity.

⁵ Building our Industrial Strategy, January 2017

⁶ Improving Lives: Work, Health and Disability Green Paper, October 2016

⁷ Post-16 Skills Plan, BIS and DfE, July 2016

⁸ 'Unemployment benefits' refers to Jobseeker's Allowance and those in the Full Conditionality group of Universal Credit

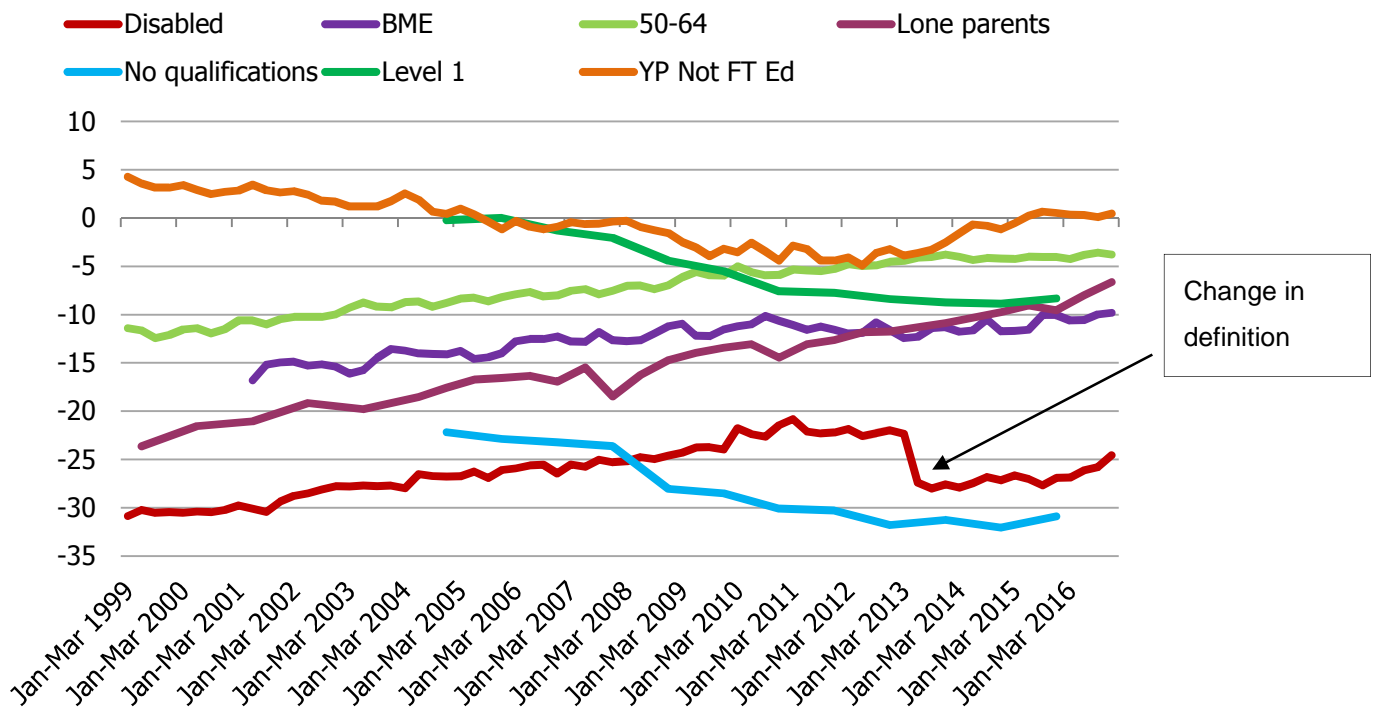
⁹ Source: L&W monthly "Labour Market Live" briefing, April 2017

Secondly, certain **groups face significant penalties in the jobs market**. Figure 2.1 below sets out the 'gap' between the national employment rate and the employment rates of key groups. While gaps have narrowed slowly for some groups, for others they remain stubbornly wide – most notably for disabled people, ethnic minorities and the lowest qualified.

For disabled people specifically, the government has set an objective to halve the employment gap between disabled people and those without an impairment by 2020. We estimate that this would be equivalent to supporting an additional **1.1 million disabled people** into work, and that on current trends the gap will take decades to close.

Thirdly, critically, while employment overall has recovered we have seen an acceleration in the growth of **low pay and insecure employment**. Recent analysis by L&W for the TUC has shown that the incidence of insecure employment has risen by 25 per cent since 2011, and that one in 10 workers are now in insecure work¹⁰. Research by the Resolution Foundation has found that more than one in five workers are low paid, and that for every four workers that are low paid just one will have escaped low pay 10 years later. Overall, Britain has one million more people in low pay than the OECD average.

Figure 2.1 – Employment rate 'gaps' for disadvantaged groups (2016)



Source: Annual Population Survey and L&W analysis

This low pay and insecure employment has also fed through into significant **spare capacity in the jobs market**¹¹. So even as headline unemployment has fallen to 4.8 per cent of the workforce, our analysis finds that spare capacity is more than three times that rate, with **16 per cent of the workforce**

¹⁰ [TUC website](#), February 2017

¹¹ Spare capacity is defined by the Office for National Statistics as comprising all of those in the workforce who are: unemployed (actively looking for work and available for work); not actively looking for work and/ or available for work but who want to work; and working part time but who want to work more hours.

in England – or 5.5 million people – who want a job or more hours¹². Critically, as noted, the vast majority of these people receive no support at all through JCP. This figure is comprised of:

- 1.4 million unemployed people
- 1.8 million people who want a job but are not currently looking for work
- 2.3 million who are working part-time but want to work more hours.

These trends in employment, combined with rising costs of living and cuts in financial support for low-income working households, has also manifested itself in significant growth in **working poverty** – with now more than half of all non-pensioners that are poor living in working households, for the first time since comparable records began.

Meeting skills needs

The skills system has undergone continual change. For instance, a recent Institute for Government report¹³ charted that the further education (FE) sector has been defined by more or less continuous change over the last three decades. Since the 1980s, 48 secretaries of state have been responsible for it and no organisation has survived longer than a decade.

On workforce and adult skills the challenges are if anything more stark, across all levels. On essential skills, **nine million people** lack basic skills like literacy or numeracy while **13.5 million people** lack basic digital skills. This is poor compared with our international peers – with the UK ranked 19th out of 34 countries in the OECD.¹⁴ This locks people out of the chance to work and to build a career, with those qualified below Level 2 (equivalent to five good GCSEs or equivalent) nearly three times more likely to be out of work than those qualified at Level 4 or above (degree level).

On intermediate skills the UK is weaker still, coming 24th out of 34 OECD countries. For instance, there are significant **inequalities in access to apprenticeships** – with young people who are eligible for free school meals half as likely as those not receiving free meals to start a Level 3 apprenticeship in some parts of the country¹⁵; black and minority ethnic applicants are half as likely to be successful in applications as their white peers; and women over-represented in low-paying sectors and under-represented in Science, Technology, English and Maths (STEM). Of further concern is that **97 per cent of young apprentices are studying at the same level as their previous qualification** – which may give them more work-relevant skills, but is not advancing their skills or those of the economy.¹⁶

Importantly, funding rates for Apprenticeships are set nationally, so there is no scope for local areas to change the price incentives to encourage provision in particular sectors to reflect local needs. The Government is seeking to address these challenges and redress the balance between academic and vocational pathways through apprenticeship policy and funding reforms, and new Technical Levels and Institutes of Technology. At the same time, other elements of the skills system have arguably failed to meet the needs of individuals, employers or local economies. In particular the low take up of Adult Learner Loans and the streamlining and reductions to adult skills funding leading to pressures on the

¹² Source: Annual Population Survey, ONS and Learning & Work Institute Estimates

¹³ [All Change: Institute of Government, 2017](#)

¹⁴ Source: Education at a Glance, OECD, 2015

¹⁵ State of the nation 2016: social mobility in Great Britain, Social Mobility Commission, 2016.

¹⁶ Ibid.

Adult Education Budget have led to significant drops in the number of adults participating in learning – falling by 1.5 million compared with 2010. European funding (through European Social Fund) has so far struggled to fill these gaps.

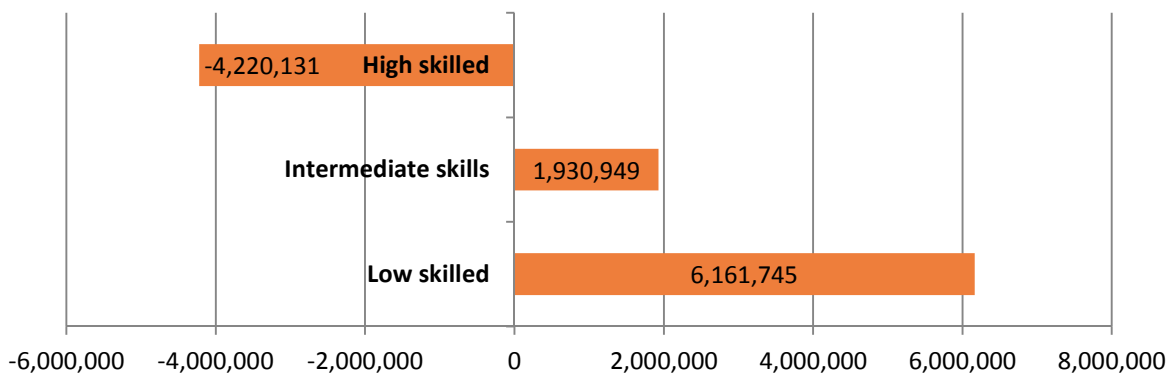
Area Based Reviews of post 16 education and training across England (2015-2017) aimed to achieve a “better responsiveness to local employer needs and economic priorities”^[1], yet focused primarily on securing the financial stability of the Further Education (FE) sector. While the process stimulated relationships between groups of local authorities, LEPs and colleges about what provision was needed when and where so colleges could better match local skills demand, these considerations were rarely reflected in final decisions, leaving provision unchanged.

This poor record on low and intermediate skills risks holding back the potential of the UK economy. Using the latest forecasts of employment and skills needs in 2024 (taken from the UKCES Working Futures series) and forecasts of workforce skills at that point, we estimate that on current trends, by 2024 there will be:

- 9.2 million low skilled people chasing 3.1 million low skilled jobs - a surplus of 6.2 million low skilled workers
- 12.6 million people with intermediate skills chasing 10.7 million jobs – a surplus of 1.9 million people
- 16.1 million high skilled jobs with only 11.9 million high skilled workers – a deficit of 4.2 million.

This is set out in Figure 2.2 below. More details on the methodology and approach are set out at **Annex 1**.

Figure 2.2 – Projected gap between skills needs and population skills levels in 2024



Source: L&W estimates

Since this analysis was last conducted in 2014, the surplus of low skilled workers has increased by 0.7 million, driven by continued decline in demand for low skill levels, at the same time as rises in State Pension Age mean more low qualified people are remaining in the labour market, while the shortage at higher skills has increased by 1.3 million, driven by continued trends towards demand for higher skills.

With a third of all workers being over-50 by 2020, meeting the future needs of the economy means investing in the skills of those who are in work today – not just in the future skills of young people. It

^[1] Reviewing post-16 education and training institutions, BIS, 2015

follows that without action, the current pattern of high employment rates for the high skilled and low (and falling) employment rates for the low and intermediate skilled groups are likely to continue.

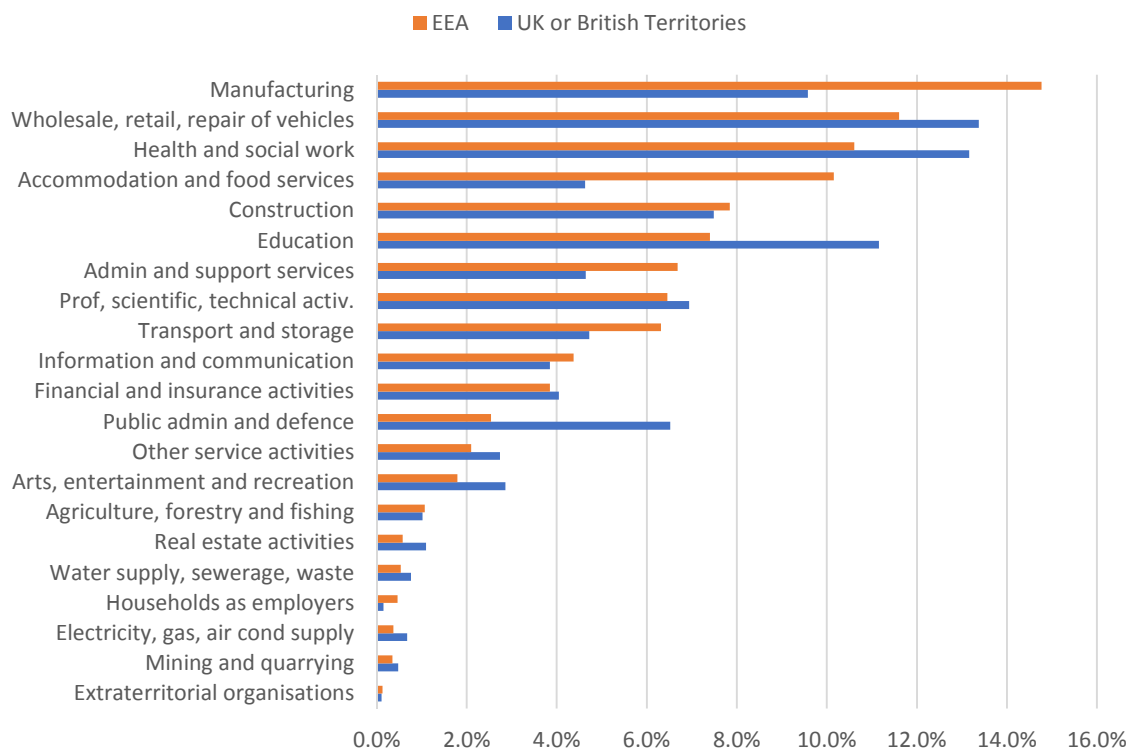
Higher-skilled migration has historically played an important role in helping to address these skills gaps. Our analysis of ONS data found that 53 per cent of those born overseas have Higher Education qualifications, compared with 40 per cent of those born in the UK. Just 16 per cent of those born overseas are qualified at GCSE level or below, compared with 27 per cent of those born in the UK.

Looking at European migration in particular, 740,000 workers in highly skilled jobs are from the European Economic Area (EEA), while at least 1.2 million EEA nationals are qualified at the equivalent of degree level or higher. By contrast, 454,000 work in low skilled jobs while 337,000 have low or no qualifications¹⁷.

As figure 2.3 below shows, EEA nationals work in a range of sectors. More than one in ten work in manufacturing, the automotive industry, health and social care or in accommodation and food. EEA nationals are particularly over-represented within the manufacturing industry (where nearly 300,000 EEA nationals work) and in food services.

With the forthcoming exit from the European Union, limits on EU migration could therefore exacerbate the skills challenges set out above. It will be more important than ever to address these gaps by retraining and upskilling the current workforce.

Figure 2.3 Sectoral employment by Country of Birth, UK



Source: Labour Force Survey and L&W analysis

¹⁷ Source: L&W analysis of the Labour Force Survey

Failure to address these gaps puts at risk up to 4 per cent of future economic growth – equivalent to a loss of economic output of £90 billion. At an individual level, this means an average worker would be on average £1,176 a year worse off (or around £60,000 over a working lifetime).

Skills gaps also have consequences for productivity, or the amount that each worker produces. **The average UK worker produces 25 to 35 per cent less per hour than the average French, German and US worker** and this gap has widened since the financial crisis. Productivity is the key determinant of prosperity, in that long-term living standards cannot rise without increasing productivity. Raising skills is one of the main drivers of achieving this, with those qualified to Level 3 earning 10 per cent more than those not. Overall, households would be £21,000 per year better off if UK productivity matched that in the US.

More broadly, there have been significant concerns raised that **the skills system is not responsive enough to employer needs and future demand**. In apprenticeships for example, Policy Exchange have estimated that up to £500 million per year may be being spent on training that does not give recipients the skills that they need to work in a range of roles across their sector.¹⁸ The lack of responsiveness both to current and future needs was also a common theme in our interviews and workshop with council case studies.

The employment and skills system must be underpinned by a good independent careers advice and guidance system. But the current system is complex and fragmented. In any one area, schools, colleges, councils and national agencies like the National Careers Service, Careers and Enterprise Company, JCP and Education and Skills Funding Agency deliver initiatives for different age ranges and groups, with no one organisation responsible or accountable for coordinating it with limited reference to the local jobs market. A House of Commons sub-committee report¹⁹ concluded that ‘recent years have seen a whole host of policy changes, initiatives and new bodies: none has led to any serious improvement in provision; some have proved counter-productive’; it recommended ‘the forthcoming careers strategy offers a much-needed opportunity for consolidation.’

Different areas have different needs

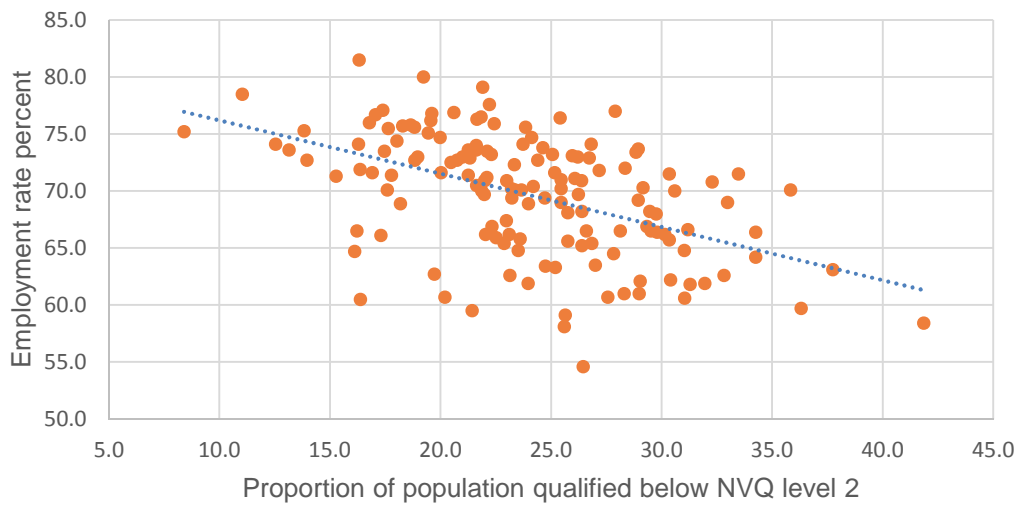
Importantly, **the employment and skills picture varies significantly between areas**, with a wide variation between employment rates across local authorities – from 62 per cent in Rochdale to 89 per cent in Stroud.

In total there are 33 areas where fewer than two thirds of the 16-64 population are in work. Areas with lower employment also tend to have lower qualified workforces, as Figure 2.3 sets out. This compares, for each upper tier local authority, their employment rate with the proportion of the population qualified below Level 2.

¹⁸ Richmond, T. (2016) ‘The skills we need and why we don’t have them’, Policy Exchange

¹⁹ [House of Commons sub committee report July 2016](#)

Figure 2.3 – Local authority employment rates compared with the share of population qualified below Level 2



Source: Annual Population Survey and L&W analysis

Looking at the highest skilled (Level 4 and above) there is an even wider variation in employment rates – ranging from 20 per cent of the adult population (in Sandwell) to 70 per cent (in Richmond upon Thames).

Within our case studies of 12 local areas we also found significant differences in their labour markets and skills profiles, and therefore different challenges, opportunities and priorities – with many identifying gaps around health and disability, older people and tackling low skills; while others that have recovered more strongly from the downturn seeking to prioritise higher level skills and growth industries.

The employment and skills systems

Despite these challenges across both employment and skills, and the wide variations between areas in how these are manifested, there is only limited scope for local areas to shape or even influence the employment and skills systems. Both systems are highly centralised in their funding and in how priorities, policy and strategy are set. The employment system is also centralised in its management and operational delivery (reporting to central government); while the skills system has no national coordination, more autonomy for colleges and providers in what they deliver, but no direct accountability to local areas.

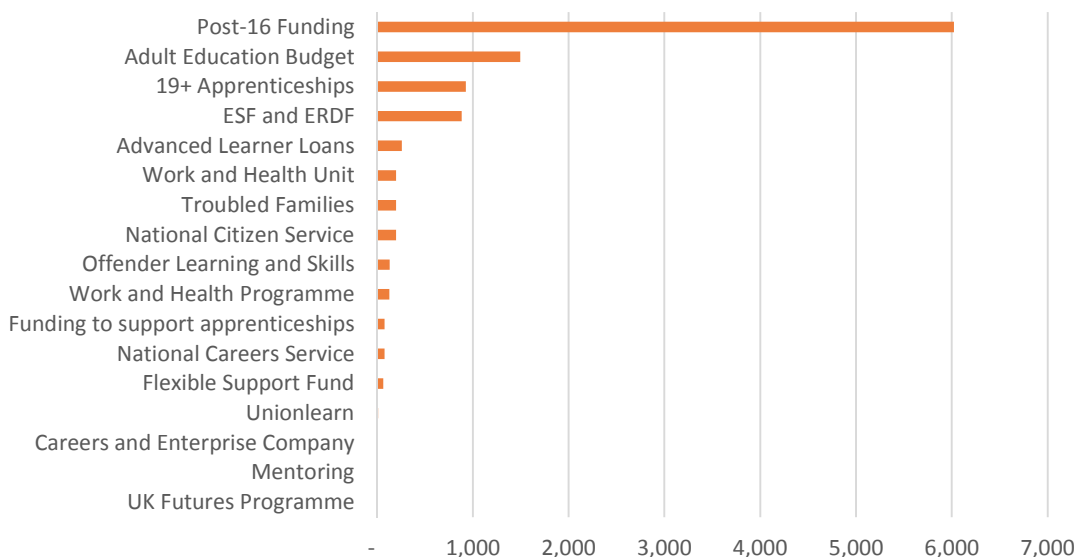
Throughout this section, we reference interviews and case studies of the twelve local areas involved in the project, and an LGA survey of councils. Those interviewed for this research, and survey respondents, were clear that overall these systems are not responsive to local priorities – with a ‘one size fits all’ approach whether a local economy has full employment or high unemployment, and little scope to influence spending or strategy to align with need. These problems are rooted both in how services are organised, and in how they are delivered – set out below.

How services are organised

The overall employment and skills landscape is characterised by complexity and reform. Recent work for the LGA finds that across the wider economic development landscape there are at least 70 different funding streams, managed by 22 delivery agencies or government departments and responsible for £23.5 billion in public spending.²⁰

Looking at employment and skills specifically, the analysis finds 20 funding streams managed by eight departments or agencies and £10.7 billion of spending. These are set out below.

Figure 2.4 – Central government employment and skills funding, 2016/17



Source: Shared Intelligence, 2016

This fragmentation is exacerbated by services often having **different objectives, priorities, eligibility criteria, accountabilities and ways of working** – with limited scope to align these with local priorities nor to join services up locally.

Respondents to the survey conducted for this research felt that some government departments, agencies and providers had a good understanding of local priorities – in particular JCP and those providing employment and skills services. However they reported that others did not understand priorities – with particularly poor scores for some education and skills services. This is shown in Figure 2.5.

²⁰ Shared Intelligence (2016) 'Is the grass greener...? Fragmented Funding for Growth 2016/17 – An independent report for the LGA'



FRAGMENTED EMPLOYMENT AND SKILLS SERVICES
for young people and adults

INCREASING EMPLOYMENT

- YOUTH ENGAGEMENT FUND (14-17)
- YOUTH EMPLOYMENT INITIATIVE (15-24)
- JOBCENTRE PLUS WORK COACH SUPPORT (18+)
- DISABILITY EMPLOYMENT ADVISER SUPPORT (18+)
- FLEXIBLE SUPPORT FUND (18+)
- WORK AND HEALTH UNIT TRIALS (18+)
- EMPLOYMENT SUPPORT FOR EX-OFFENDERS (18+)
- YOUTH OBLIGATION (18-21)
- WORK AND HEALTH PROGRAMME (21+)
- COUNCIL EMPLOYMENT INITIATIVES (18+)
- NHS-FUNDED EMPLOYMENT SUPPORT (18+)
- IAPT MENTAL HEALTH EMPLOYMENT SUPPORT (18+)

IMPROVING SKILLS

- WORK EXPERIENCE (18-24)
- TRAINEESHIPS (16-24)
- POST 16
 - GENERAL FE COLLEGES
 - SIXTH FORM COLLEGES
 - FREE/STUDIO/UTCS
- TECHNICAL LEVELS (16-19)
- LEVY & NON LEVY APPRENTICESHIPS (16+)
- ADULT EDUCATION BUDGET (19+)
- HIGHER EDUCATION (18+)
- ADVANCED LEARNER LOANS (19+)
- SECTOR BASED WORK ACADEMIES (18+)
- COUNCIL SKILLS INITIATIVES (18+)
- CAREERS ADVICE AND GUIDANCE (12+)

NARROWING GAPS

- BUILDING BETTER OPPORTUNITIES (16+)
- NATIONAL CITIZENSHIP SERVICE (16-17)
- TROUBLED FAMILIES
- INNOVATION FUND (14+)
- FAIR CHANCE FUND (18-24)
- TARGETED SUPPORT FOR YOUNG CARELEAVERS, SPECIAL EDUCATIONAL NEEDS AND DISABILITIES (SEND) AND YOUNG OFFENDERS
- PREVENTION AND SUPPORT FOR YOUNG PEOPLE NOT IN EDUCATION, EMPLOYMENT OR TRAINING (NEET)
- HIGHER EDUCATION ACCESS (18+)

DELIVERED BY

COMMISSIONED BY

ACCOUNTABLE TO

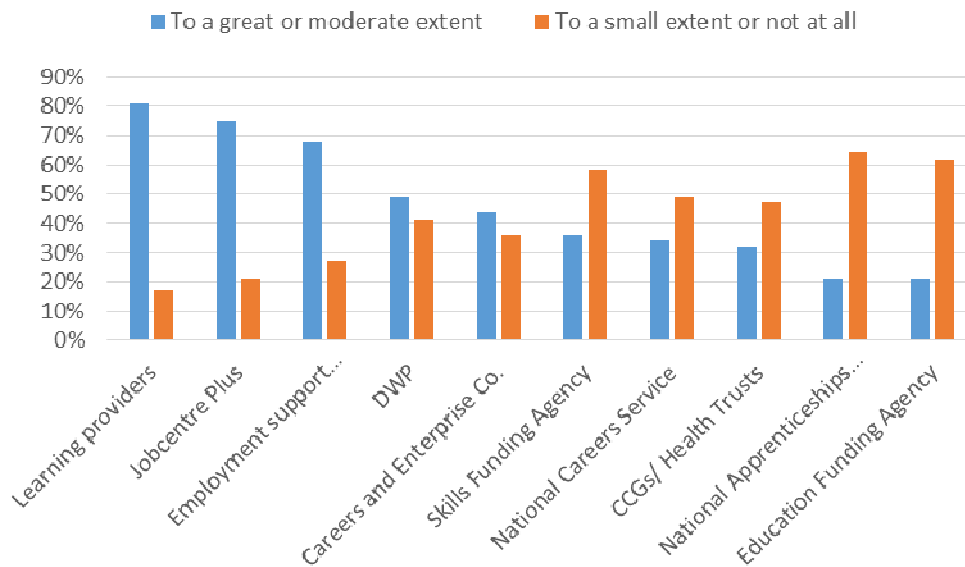
Skills providers	Councils
Employment providers	JCP
Careers and Enterprise Company	Schools
Education Business Partnerships	
National Careers Service	Colleges

DH	Councils	DfE
DWP	DCLG	Cabinet Office
Employers		

Employers / LEPS	JCP/DWP	DCLG
Councils	CCGs	Cabinet Office
DfE/Education and Skills Funding Agency		
National Offender Management Service		
Big Lottery	National Apprenticeship Service	
Careers and Enterprise Company		



Figure 2.5 – Extent to which councils consider that organisations understand the current employment and skills priorities of local area



Source: LGA survey of councils. N = 53

However even where services may understand priorities, those interviewed for this research reported that they were often powerless to act under their own initiative. In JCP for example, case study areas reported that the system remains highly centralised with clear national (vertical) accountability to national targets. Local offices deliver or refer to a range of nationally designed support measures, with only very limited local sourcing or purchasing of support.

“We have excellent working relationships with JCP, but they are hamstrung by central government.”

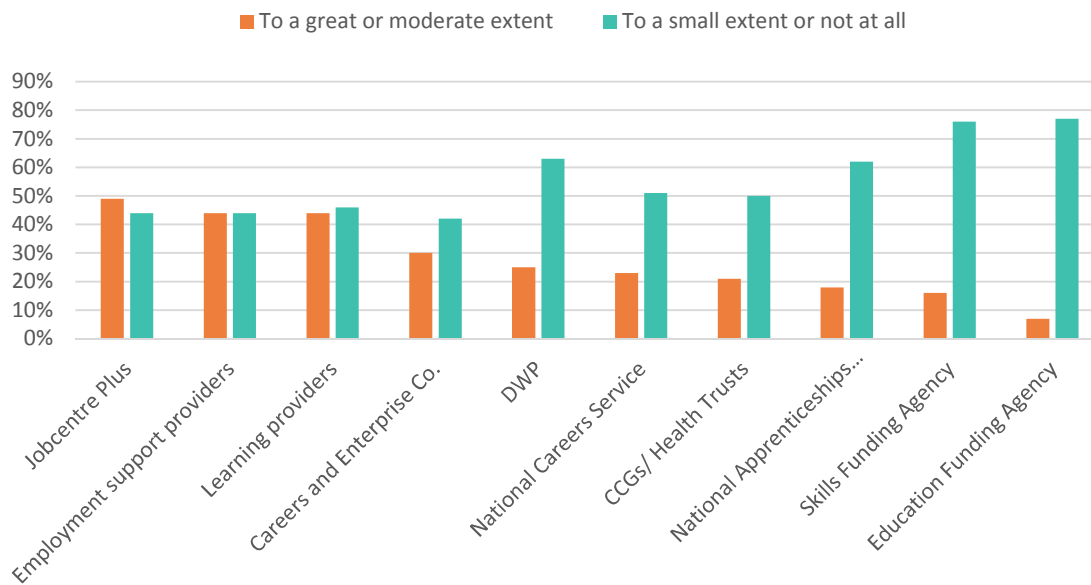
Across the wider network of local employment and skills providers, there was a general perception that there was little that providers could do to respond to local needs within their current commissioning and delivery constraints. As one put it:

“Providers get paid for delivery, whether it meets economic needs or not.”

This was also reflected in survey responses. More than 60 per cent of respondents felt that they had little or no scope to influence Department for Work and Pensions (DWP), Education Funding Agency (EFA) and Skills Funding Agency (SFA)²¹ provision. Even for the highest organisation, JCP, just half of respondents felt that there was moderate or greater scope to influence provision.

²¹ ²¹ Survey conducted prior to the merger of the EFA and SFA.

Figure 2.6 – Extent to which councils consider that local services are flexible and responsive



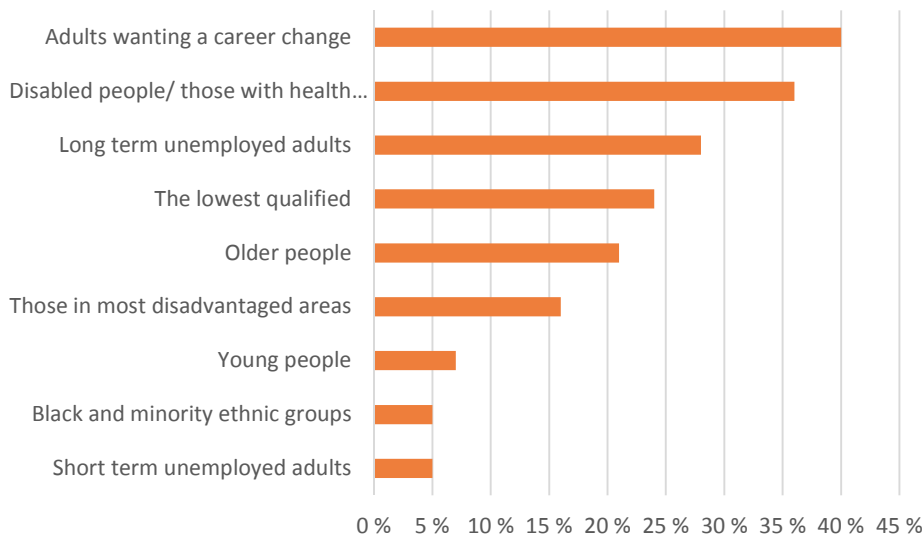
Source: LGA survey of councils. N = 57

Overall, 80 per cent of respondents disagreed or strongly disagreed that they had sufficient opportunity to discuss with DWP, EFA and SFA contracts that affected their areas before they were awarded. More broadly, commissioning and delivery remains highly complex – with **different departments funding provision according to different eligibility criteria, rewarding different outcomes and delivering across differing geographical areas**. Within adult skills, SFA provision continues to be commissioned separately from employment programmes according to national funding rules and priorities. One case study area also gave the example of the Careers Service specifically, where:

“The Careers Service have their own performance standards to meet. For example one of their outputs is CVs, so they have to meet their targets whether it is what people need or not. So when they are brought into a partnership they are limited in what they can do because of their contract.”

At a local level, services are often even more fragmented and complicated – with national agencies and nationally commissioned programmes overlapping with local provision, other public services and wider voluntary and community provision (most notably, Big Lottery-funded support). This is often most pronounced in services for young people, with one case study area describing “a glut of provision in relation to NEETs” (young people not in education, employment or training) and another stating that they have counted over one hundred separate programmes or initiatives in their area alone. The council survey also identified a number of significant gaps in provision – set out below. In particular, respondents identified more limited support locally for those seeking career changes and disabled people as a particular issue.

Figure 2.7 – Groups considered less well supported in local areas



Source: LGA survey of councils. N = 52

With other client groups or services, despite a range of provision there are often significant **gaps in coverage**. Health was the most common example where case study areas described relationships with Clinical Commissioning Groups and Health Trusts as patchy.

More broadly, **boundary issues** were a common theme with a number of areas – with organisational or administrative boundaries not aligning. There is no alignment between the boundaries of JCP districts, combined authorities, LEP areas, health and wellbeing boards, Sustainability and Transformation Plans nor the Contract Package Areas for specific programmes like the Work and Health Programme. This makes for a complex system, which is exacerbated in **rural areas**, where it is critical that services align so that economies of scale can be realised and transaction costs reduced.

In the north east for example, the seven councils within the combined authority straddled two JCP districts, making it harder to communicate and to share information across boundaries, with these boundaries not aligning with health services. At the same time, the north east is in the same single Contract Package for the Work and Health Programme (and will have the same single provider) as Yorkshire and Humber and a large part of the East Midlands.

There were nonetheless good examples where services were organised in a more aligned way – most notably in some of the **European Social Fund (ESF) provision**, where areas had opted in to co-financing of employment support. In one case, this had led to local co-design of a specification (although the procurement process reduced some of this local variation and there remain barriers to sharing information between partners). Often however, it was reported that ESF was ‘shoe-horning’ support in order to fill gaps caused by not being able to influence mainstream skills spending and priorities.

In addition, there have been some moves recently to further align employment and skills support – with JCP now screening claimants for basic and English language skills and delivering ‘sector based work academies’ with training providers, targeted at improving the skills and job prospects of younger claimants in particular.

Finally, a consequence of local areas having little or no scope to influence local employment and skills provision is that **local employers, who should have significant input**, are limited to their role in setting the direction for European funding – via employer-led LEPs. It was felt by a number of areas that this led to a disconnect between the needs of local employers, particularly in growth industries, and the employment and skills services that are commissioned. Two thirds (67 per cent) of survey respondents considered that skills provision was only responsive to local employer demand to a small extent or not at all.

How services are delivered

The consequences of this fragmentation and lack of influence over how services are organised is also reflected in how local services are delivered. Most significantly, interviewees consistently reported that **services are often standardised, with little flexibility for local circumstances**. In particular the move to more commercially-driven contracting at the centre, including larger single contracts, was felt to have led to providers being less likely to tailor their approach to local priorities and circumstances. As one interviewee described:

“They made up their minds as to how they were going to do it and that was it.”

Commissioning approaches more broadly were seen as a key barrier to delivering locally responsive services. For example, while DWP’s 2014 Commissioning Strategy committed to better alignment “at the national, sub-national and local level, especially to support those furthest from the labour market”, in practice **commissioning has been highly centralised** – and there are numerous examples where provision has cut across other initiatives (for example around support for families); has duplicated (with one example given where two parts of government issued three unconnected tenders for careers services in a single week); or has simply operated to different timescales, boundaries and criteria to related provision.

On employment services specifically, 69 per cent of survey respondents reported that national programmes tied in with local services to a small or no extent at all; and no respondents reported that they tied in with local services to a great extent.

These difficulties are often exacerbated by **a lack of common measures of success** between services. So while contracted employment programmes focus on job outcomes and sustained employment, JCP is measured operationally on the numbers leaving benefit – and neither measure progress towards work. In skills provision, the focus is on attaining qualifications with then a wider inspection regime to measure quality and management. And often, performance is not open to public scrutiny – with JCP in particular not publishing its performance data for districts or local offices. As one interviewee described:

“The elephant in the room is that there is no real understanding of how JCP performs.”

Even where information is available to those delivering services, it is **often not shared with wider partners locally** – either at an aggregate level to support local planning, or at an individual level where the same individuals are being supported across services. So in one example, where local provision was intended to support former Work Programme participants, the failure to share aggregate data on participants’ characteristics and needs made it harder to line up the right provision and to target support. More broadly, as one respondent described:

“We don’t know what support is being provided, what interventions are taking place and what it costs. We don’t know what works.”

This also means that councils do not have oversight of the performance of employment and skills services in their areas. In the council survey, 70 per cent of respondents disagreed or disagreed strongly that they had sufficient oversight to enable them to hold organisations to account for their local delivery.

The devolution debate

Successive governments over the last two decades have tried to make employment and skills provision more responsive to local needs. However these have often been fixed-term and relatively targeted initiatives – ranging from the **New Deal for Communities** in the late 1990s, which in many areas included neighbourhood-based job brokerage, ‘one-stop shops’ for careers advice and jobsearch, and access to local training; through to **Action Teams for Jobs** with a strong focus on outreach, partnership working, colocation and cross-referrals; and **Employment Zones** which were the first attempts to test outcome-based, contracted out and flexible employment support. Even where local control has been more significant, as with **Training and Enterprise Councils** from 1990 to 2001, while responsibility for training was held locally in practice the key decisions were still made centrally. From the mid-2000s, there was a far greater focus on trying to integrate and co-ordinate between the employment and skills systems – with **The Leitch Report** (2006)²² concluding that fragmentation of services was exacerbating poor outcomes both in the labour market and in productivity. This led to a greater recognition of city regions and sub-regional partnerships as drivers of growth, and the development of new **Employment and Skills Boards** – with a loosely defined role to engage employers, assess labour market needs, review local provision and make recommendations for how employment and skills could be aligned.

However, it has only been in more recent years that there have been attempts to devolve funding, design and/ or delivery of employment and skills. Arguably the forerunners for this were the **City Strategy Pathfinders**, which ran from 2007 to 2011 in 15 areas with a focus on improving employment, raising skills and unlocking local partners and funding. However even in these early days, there were two common problems: Pathfinders received less autonomy than they had expected; and they were generally weak on engaging employers.

Since then, the approach to devolution in practice has been one of ‘**earned autonomy**’ – with local areas granted limited flexibilities often over single programmes or budgets for a limited time and after a process of negotiation with central government over terms.

This began with **Total Place** at the end of the Labour Government, and continued with the Coalition through Community Budgets, City Deals, Growth Deals and now Devolution Deals. In some cases, the gains from this approach have been far-reaching – most notably with the devolution of health and social care to Greater Manchester, and with the devolution of Work and Health Programme design and funding to Greater Manchester and London. However, even in these cases devolution has usually come with strings attached.

²²https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/354161/Prosperity_for_all_in_the_global_economy_-_summary.pdf

Interestingly, at the same time the UK also provides a model for more radical devolution through its relationship with the devolved nations. In Scotland, Wales and Northern Ireland, education and skills policy and funding is fully devolved – there is no ring-fenced funding; and no requirements from Westminster on what is delivered, for whom and how.

On employment and welfare, Northern Ireland has significant autonomy from Westminster – with a benefits system and conditionality rules that mirror those in Great Britain, but full control over the design and delivery of employment services, and devolved funding without ring-fence. And since 2016, Scotland has had devolved authority over employment support for disabled people and for those on benefit and at risk of long-term unemployment – again with funding devolution.

The benefits of devolution

Drawing this together, then, the centralised model for employment and skills has failed to deliver an integrated, ‘whole systems’ approach.

We see a clear case for improving how employment and skills services respond to local needs, and how they are organised and delivered locally. However despite this pressing case for change, progress on devolution has been slow and piecemeal. Local areas want more influence and control, and the devolved nations show that more radical devolution from Westminster is possible – but governments of all colours have struggled to truly let go.

Those interviewed for this project were clear on the potential benefits of going further and faster. Broadly, three key benefits of devolution were identified:

- **for the economy** – where devolution brings the opportunity for a clearer, longer-term and more integrated vision locally; with better value for money (economies of scale, efficiency and outcomes) and better meeting local economic needs
- **for residents** – with more effective, personalised, timely, and seamless support
- **for delivery organisations** – through a clearer, more collaborative system; more integrated and better organised commissioning; and a more user-centred approach.

So by better integrating services locally, there is scope to improve outcomes and reduce waste and transactional costs. By better aligning funding to local priorities, services can be more responsive to local employment and skills needs. For residents, more personalised and joined up services can be better targeted, more effective and less duplicative. For employers, better alignment should open up the potential for a skills system that responds better to demand and employer’s needs. And improving employment and skills outcomes also has wider benefits – in terms of residents’ wellbeing, social cohesion, improved educational attainment, better housing, reduced pressure on health services and so on.

Respondents were also clear on the benefits that local areas can bring to bear in convening partners and joining up support.

“You can’t underestimate what a local area can bring in terms of partnerships, knowledge and expertise, and the opportunities there are to bring together inward investment, adult health and social care and capital projects.”

3. Work Local – a new model for integrated employment and skills

Summary

The proposal below sets out a vision for an integrated, effective and locally responsive employment and skills system that can meet the labour market and skills challenges of the future.

At its highest level, this means:

1. A 'one stop' service that is rooted in place
2. With clear and responsive local leadership
3. That is driven by local opportunities and needs
4. Within a common national framework for devolution of strategy, financing and delivery of employment and skills
5. Improving the experiences of individuals and employers
6. Governed by LLMA's
7. Delivering better outcomes at a lower cost

These seven elements are set out in detail below.

This new service, Work Local, will be organised at the level of combined authorities and groups of councils – simplifying and aligning myriad existing boundaries, and creating a coherent national system locally and nationally.



3.1 A ‘one stop’ service that is rooted in place

At the heart of a reformed model will be a new, ‘one stop’ service bringing together information, advice and the delivery of employment, skills and wider support for individuals and for employers.

Work Local will bring together and localise support, making full use of physical and digital assets to deliver a clearly branded, integrated offer for employers and individuals, which connects to wider partners and support.

Bringing together and localising support

As Chapter 2 sets out, the current employment and skills system is fragmented across employer engagement, business support, local growth, careers services, employment support, adult skills, apprenticeships support and employment programmes. Bringing these services together into one integrated system will reduce costs, complexity and duplication; improve services; and respond to local needs.

Integrated, ‘one-stop’ services are a key feature of nearly every international system explored as part of this project. In addition, they have been a feature of trials in the UK going back to the New Deal for Communities in the 1990s. Well designed ‘one stop’ services work, and should be the starting point for future reform.

One Stop Shops and service integration

In the **Netherlands**, the ‘Employee Insurance Implementing Body’ (UWV) and municipalities co-locate and co-ordinate service delivery through a national network of ‘**Work Squares**’. These are co-managed by local UWV and Social Services Directors and include a range of agencies which could include other municipal services, welfare organisations, reintegration companies, private employment agencies and temporary work agencies.

In the **United States**, a national network of ‘One Stop Centers’ bring together employment, training and careers support for individuals and employers. There are around 2,500 centres nationwide, operating at state, regional and local level. This has also led to greater co-ordination and integration, in particular with welfare and related services, blending of funding streams, and integrated case management, assessment and information sharing.

In **Germany**, federal and municipal government deliver integrated one-stop services for uninsured claimants in most of the country – which combine benefit administration, employment support, and access to training and other local services. These ‘joint agencies’ incorporate employment and benefit delivery as well as wider social services (eg debt advice, drug and psychological counselling and childcare provision).

In the UK, JCP has at times fulfilled a similar ‘one stop’ role, although this has been less common in recent years. Currently, the council-led **MyGo service in Suffolk** is the best example of a one-stop service. It integrates JCP support within a locally-led, one stop employment, skills and careers service for young people. As well as integrating JCP and new contracted employment support, MyGo also co-locate careers, skills, apprenticeships and other local public and voluntary services.

The '**Universal Support delivered locally**' (USdl) trials from 2014/15 also tested approaches to integrating and aligning support between councils, DWP and local partners for those likely to be less able to manage under Universal Credit. This pointed to key critical success factors around setting clear and common success measures; putting the right governance in place; working in partnership; co-locating and where possible integrating support; and having clear processes to underpin joint delivery.

Cornwall's Inclusion Hub Established by JCP and Cornwall Council, Inclusion Hub brings together over 60 partners and their 120 local projects, programmes and services to redefine the back to work offer for disengaged young people in Cornwall – it has helped 10,000 people into work since 2006. It mitigates incentives in the national funding system that encourage organisations to work in isolation on the ground by taking a programming approach, brokering providers to share funding and incentives for the benefit of the individual – making clear the role of different organisations in the progression of people towards work. The model has been successful in areas with high levels of long-term worklessness, where provision is plentiful but uncoordinated. Inclusion Hub links social enterprises working with young people unlikely to otherwise engage, slowly brokering progression into back-to-work services.

Additional schemes have been routed through the model. For instance from 2008 to 2011 it received £1.5 million to help people with learning disabilities, with five specialised organisations within the partnership delivering provision in line with existing services. Over three years 600 people were supported, with 100 securing employment. Since 2013 Inclusion Hub takes all customers applying to Cornwall Council's discretionary funds (the most excluded) through a 'Cornwall Works Conversation' providing support and signposting to remove barriers.

Making full use of physical assets

There are a range of services that deliver employment and skills support within local communities and have a visible local presence – including colleges and training providers, universities, JCP offices, centres run or funded by councils and often voluntary and community services. In many towns and cities, the 'footprint' for employment and skills services is significant. However, services have different target groups, different rules for who can use them, are branded differently and are often not welcoming environments.

All of these services could provide the basis for delivering integrated, outward-facing Work Local – where the physical presence is driven by what services are available and needed locally, and where the 'wiring' is hidden by local partners.

Consistent branding – the MyGo Centre

The MyGo Centre in Ipswich town centre provides a dedicated, physical site presence for delivering the integrated MyGo service for young people. The MyGo branding was co-designed by young people themselves, who also inputted on the layout, look and feel of the centre. It combines public access computers and jobsearch facilities, with drop-in and pre-booked courses and support; alongside providing work spaces and meeting rooms for more intensive engagement with work coaches and support. JCP staff supporting young people are also branded as MyGo staff, and deliver the range of Universal Credit interventions and support from the MyGo centre and offices.

This consistent branding has created a welcoming, engaging service that has increased access to services for young people and made it easier to get the right support at the right time. This has also reduced the stigma of accessing support – with 60 per cent of those using MyGo not claiming any benefits.

In addition, a range of services in local areas also act as a base for hosting employment and skills support – for example children’s centres, libraries, council premises and community venues. These too could provide bases for delivering Work Local, particularly in more rural areas, or to reach specific groups who may not otherwise engage with mainstream support. In the **Universal Support delivered locally** trials, these ‘hub and spoke’ models were used as part of wider partnerships between central government, councils and voluntary services.

The Universal Support hub and spoke model

The evaluation of USdl²³ found that a number of areas delivered welfare support through a network of ‘spokes’ mainly in the voluntary sector that engaged residents provided elements of support and referred residents on, with ‘hubs’ in both the public and voluntary sector then delivering co-located and often more integrated services. This was common in rural areas like West Lincolnshire, but some cities with wider catchment areas also found that this was a more effective way of delivering joint working (in particular Derby City).

For employers too, there are opportunities to make better and more consistent use of existing infrastructure and services. This should include ensuring the Work Local centres are accessible and useful to employers – for example providing the space for employers to meet, network and receive support. But it also means working as full partners with those organisations that support employers and have a strong local presence – including Chambers of Commerce.

Using technology to broaden access to services

A number of UK and international services have made increasing use of technology to broaden access to, and improve the effectiveness of, employment and skills support. The introduction of Universal Credit is enabling claimants to manage their job search activity and to interact with work coaches online.

However by drawing together funding and responsibilities across employment and skills services, Work Local will enable these online services to be extended to those not on Universal Credit, and integrated with skills and careers support. Devolution will also allow areas to develop more innovative and integrated approaches to engaging employers and individuals.

Online delivery of Dutch employment services

A number of countries, including the UK, Canada and the United States, have increasingly used digital technology to deliver employment services at lower cost. In the Netherlands, online delivery through werk.nl has also led to a range of service innovations for employers and claimants.

As well as providing an online account, online jobsearch and access to an ‘e-coach’, online tools also enable claimants to identify barriers to work and potential support needs (the ‘Work Explorer’) and for advisers to identify improvements that can be made to claimants’ CVs based on analysis of vacancies and similar jobseekers (the ‘CV quality tool’).

²³ Bennett, L., Cameron, C., Colechin, J., McCallum, A., Murphy, H., Patel, A. and Wilson, T. (2016) ‘Evaluation of the Universal Support delivered locally trials’. DWP ad hoc research report 33

A clear offer for individuals and for employers

For individuals, Work Local will enable areas to design a coherent pathway through employment, skills and careers support – meaning that individuals can access the right support at the right time through a single, integrated, accessible service. This means that the service can be more than the sum of its parts, supporting people to improve their skills, prepare for work, find work, change careers and progress in work.

For example in **careers support**, rather than accessing different services through colleges and training providers, JCP (for benefit claimants and those at school), the National Careers Service, councils (for young people not in education, employment or training) and voluntary and community sector provision, Work Local will be able to bring together a single, coherent and integrated offer – that is governed by one set of objectives and outcome measures, and that can draw on a single set of evidence and insight on the labour market and employer needs.

On **employment and skills support**, rather than accessing disparate provision with different eligibility rules and objectives across JCP, centrally-commissioned employment programmes, nationally funded skills support, adult learner loans and a plethora of provision funded through European, local and charitable trusts, Work Local will be able to offer an integrated offer with coherent commissioning and objectives, and again respond to employer and individual needs.

For employers, Work Local will be able to go beyond the existing support that employment and skills services offer around placing vacancies, helping with recruitment and delivering pre-employment training and apprenticeships. By providing a single, responsive and employer-facing presence that brings together business support, growth hubs and employer services it will be able to deliver a coherent offer to help businesses grow: to develop their workforces, navigate the skills and employment system, access funding and public contracts, and deliver training, work placements, apprenticeships and other opportunities.

Connecting to wider services, partners and support

Finally, Work Local will integrate employment and skills but must also act as a gateway to more specialist services and supports that individuals and employers may need. This will include health services, budgeting support, housing and welfare – as well as making full use of the opportunities to link up services within councils, including housing, local welfare and social care.

The physical presence of Work Local will create opportunities to co-locate services, and to work in partnership with the wider public, voluntary and community sectors. This has been a feature of integrated models overseas – for example in **Germany**, ‘joint agencies’ provide access to a range of social services including debt advice, drug and psychological counselling and childcare provision; while in the **US** ‘one stop shops’ often co-locate welfare support and other local government services. In the UK too, councils have taken a leading role in joining up services locally.

Councils in the lead to join up services and support

The evaluation of the **Universal Support delivered locally trials** found that the thirteen local trials “successfully demonstrated how local authorities, JCP and wider networks of local partners can work together to identify, engage, assess, refer and support claimants to address digital, personal budgeting and often wider support needs.”²⁴

It pointed to a number of critical success factors that will be relevant for Work Local, including having clear and common success measures; having the right partnership arrangements in place; maximising the benefits of co-location and integration; and putting in place the right systems to share data and information.

In **MyGo**, the service works closely with a range of wider partners including council services, health and the voluntary and community sector. This includes using the MyGo centre to co-locate the delivery support, and using partner facilities to conduct outreach and engage those more disadvantaged.

3.2 With clear and responsive local leadership

Successful public service reform relies on effective local leadership. Councils are best placed to take this convening and leading role, as we are doing through Devolution Deals from Teesside to the West of England. These Devolution Deals, and City Deals before them, have been characterised by local government taking the lead, bringing partners together and developing innovative solutions to local challenges.

The London Devolution Deal

London borough leaders, London Councils and the Mayor of London have worked effectively together to secure devolution agreements across a wide range of services. These include devolved funding for the Work and Health Programme, a commitment to devolve skills funding via the Adult Education Budget (AEB) by 2019/20; a health and care devolution agreement and discussions around about piloting 100 per cent business rates retention from 2018.

In March 2017 the government signed a second Memorandum of Understanding (MoU) with the GLA and London Councils which confirmed the Government’s commitment to health and care devolution and an intention to explore devolution of criminal justice services and other employment, transport, and infrastructure services and funding streams in the capital. Services have been devolved at both a regional and local level and the range of devolved services will allow for better integration around places and communities.

Work Local would build on and extend this approach, learning from international models where local government plays the central role in convening partners across employment, skills and growth – like in **Denmark** and the **Netherlands**, where the funding and delivery of employment services are devolved to municipalities, who then lead on drawing together partners and services to meet local and national needs.

²⁴ Bennett, L., Cameron, C., Colechin, J., McCallum, A., Murphy, H., Patel, A. and Wilson, T. (2016) ‘Evaluation of the Universal Support delivered locally trials’. DWP ad hoc research report 33

Work Local will also ensure that the right structures and ways of working are in place in order to maximise the benefits of devolving and aligning services and funding. This means having committed local leaders, shared objectives, and a positive approach that empowers operational staff to work together and overcome problems.

In practice, this means that in each Work Local area there would be a **joint board**, bringing together councils, central government representative(s), employer representatives, key voluntary and community sector representatives (for example housing, advice services and representative groups) and the wider public sector (including under-16 education and health). This board would build on the integration boards put in place in current devolution deal areas. It would:

- **set the direction** for the local area – identifying and agreeing local priorities, agreeing the strategic direction for Work Local, and agreeing key outcomes, responsibilities and local accountability for delivering this
- **make decisions** on the design and delivery of Work Local – agreeing how services will be designed to reflect the local strategy and needs, how these will be commissioned and delivered, and the funding strategy
- **oversee implementation** of Work Local – reviewing its performance against objectives and outcome measures, ensuring that implementation continues to meet employer and resident needs, and providing a means to escalate and resolve issues where needed
- **provide a forum** for bringing together partners – to work collaboratively, to share experience and practice, and to engage and influence wider public and community services.

Work Local joint boards would be chaired by local government, reflecting the formal transfer of accountabilities set out in sections 3.4 and 3.6 below. However this local leadership would work with national government as full partners.

Employer leadership

Employers in both the public and private sector must also play a central role in delivering Work Local. The best example of employer leadership in the employment and skills system is in the United States, set out below.

United States Workforce Investment Boards

A network of Workforce Investment Boards (WIBs) span the United States, with each Board chaired by a business leader and comprising a majority of employer members. In addition, WIBs also include leaders from local government, economic development and unions. The 2014 Workforce Investment and Opportunity Act gives WIBs a more strategic focus and allows them a greater role in fostering partnerships between workforce development, education and economic development.

WIBs are responsible for planning how local funds will be invested, and must produce plans that set these out alongside performance targets negotiated between the local board and the state governor.

So as well as having employer representation through the joint boards described above, it is also proposed that Work Local would take responsibility for oversight of Local Enterprise Partnerships (LEPs). This would give employers a central role in the leadership of Work Local. They would have a clear role in inputting on strategic and local priorities, deciding on investment priorities, advising on the design and delivery of Work Local, and also convening key employers and partners. Aligning

accountabilities would also mean that existing LEP responsibilities – particularly Growth Hubs and European commissioning – could be integrated and aligned with Work Local.

In the long term, it would be up to Work Local areas, working with LEPs, to agree the local footprint for LEPs within those areas. As now, in some cases that may mean more than one LEP in a single combined authority to reflect local labour markets; in others it may mean coterminous boundaries. However in the short to medium term, it is not anticipated that LEP boundaries would need to change.

3.3 That is driven by local opportunities and needs

Devolution of funding and control will free up local areas to design services that meet local needs and that respond to local priorities rather than to one-size-fits-all rules. This will help to address the challenges and disparities set out in Chapter 2 above.

Different jobs

The nature of employment is different in different areas. For example, manufacturing accounts for more than one in five jobs in Burnley but fewer than one in fifty jobs in Cambridge²⁵. At the same time, areas are seeing growth in different sectors as the economy changes. Councils interviewed for this research wanted more scope to flex the employment and skills system to support local growth in sectors as diverse as manufacturing of renewable energy, advanced automotive engineering, digital gaming, distribution and logistics, and financial services.

Local areas also face different levels of reliance on public sector employment, which varies between 11 per cent and 31 per cent of employment locally²⁶. In some areas, the public sector can play a key role in providing opportunities and convening employers, but this can also present challenges where areas need to rebalance towards private sector employment.

Locally designed and led services can be driven by and respond to these differences in local demand, for example by convening employers locally to support sector initiatives, in-work training or progression support for employees; or by changing funding incentives to support investment in the right training and skills.

Different people

Local areas have different residents with different needs. The proportion of residents with low qualifications ranges from one in three residents in Sandwell to one in seventeen in Richmond on Thames; and while more than a quarter of residents of Blackpool have a work limiting disability, just one in ten residents of Waltham Forest do.²⁷ These differences matter, with, for example, disabled people more than twice as likely to be out of work as those who are not disabled.

The current system makes it harder to address these local needs. Devolution Deals and City Deals have created opportunities for local areas to influence design and delivery so as to meet local priorities, and this has led to a range of innovative local programmes.

²⁵ Source: Cities Data Tool, Centre for Cities

²⁶ Source: Annual Population Survey

²⁷ Source: Annual Population Survey

Portsmouth and Southampton – the Solent Jobs Programme

The Solent Jobs Programme is part of the City Deal agreement between Portsmouth and Southampton Councils and central government. It aims to provide support to at least 1,200 long term unemployed adults with health conditions across the Solent LEP area. The programme comprises intensive case management, Cognitive Behavioural Therapy and health support, a subsidised job and post-employment support.

The programme is tackling long term unemployment linked to poor health, using a bio-psycho-social model to deal with deep rooted and complex problems. The programme will work across many agencies to help individuals with substantive barriers to work including offering support in areas like housing, debt, mental and physical health problems, substance misuse, learning difficulties and low skills. The programme is focused on increasing employment entry and sustainment, but with a range of potential benefits including financial inclusion, wellbeing, health and reduced demands on services.

The programme aims to do things differently – developing locally rooted solutions to long standing social issues around worklessness, and moving towards a model of integration and harnessing the resources of a range of agencies in the area.

Programme funding is approximately £3.5-4.0 million, from the European Social Fund and City Deal/ locally-matched funds.

However, this happens on an ‘earned autonomy’ basis rather than as a matter course. Work Local would enable local design and delivery to reflect the needs of local residents – for example by changing rules that get in the way of reaching specific groups; or by creating incentives to support those most in need locally.

Different economies

Most starkly, there are wide variations in incomes and opportunity between different parts of the country. For example, weekly wages are 50 per cent higher on average in Cambridge than they are in Southend²⁸; while worklessness is twice as high in Rochdale as it is in Surrey²⁹.

While skills funding rules provide an ‘uplift’ on funding rates for the most disadvantaged areas, these are typically modest – on average a 14 per cent uplift on funding applied to provision in around one in four areas³⁰. It is also a relatively blunt instrument, only targeting the most deprived areas, and not providing incentives to tailor provision to local economic needs.

In employment provision, the funding formula for the Work Programme takes no account of the strengths or needs of local economies. As a consequence, lower outcomes for the Work Programme in weaker areas means that funding is lower in these places than in more prosperous economies. The Work and Health Programme funding rates similarly do not take account of local needs.

Some areas have emerged strongly from the economic downturn but many more still face significant challenges. Addressing these differences will require Work Local to be able to target support and incentivise provision to meet local economic needs.

²⁸ Source: Cities Data Tool, Centre for Cities

²⁹ Source: Annual Population Survey

³⁰ <https://www.gov.uk/government/publications/adult-education-budget-funding-rates-and-formula-2017-to-2018>

Different geographies

What works in delivering services in major cities will be different to what is needed in suburbs, towns, rural areas and more mixed communities. Work Local need the flexibility to meet these needs.

As noted in section 3.1, the Universal Support trials showed how service alignment and integration could be achieved in very different geographies, from the Scottish Highlands to central London. Funding rules and service requirements need to reflect these differences.

Different priorities

Drawing this together, local areas have different priorities and needs. Effective, responsive employment and skills services will need to target different groups and different employers with different provision and in different ways. The current, top-down model cannot possibly be expected to meet the needs of areas from Blackpool to Brentford, or from Bassetlaw to Bath.

3.4 Within a common national framework for devolution of strategy, financing and delivery of employment and skills

Delivering this vision will require a new settlement on the political and fiscal levers for employment, skills and growth. This means devolving:

- **financial control** – with funding devolved through block grants to combined authorities and groups of councils
- **strategy** – with these areas then able to set objectives, agree policy and design responses that meet local needs
- **delivery** – so that the commissioning, delivery and oversight of provision happens locally and can be integrated and aligned across services.

Devolved services would be brought together into a single, seamless system, funded through a combination of continued national grants, progressive devolution and local revenue raising. This would go with the grain of how international employment and skills systems have been reformed over the last two decades.

International good practices on devolving employment and skills

It has been increasingly common internationally in recent decades for funding and control of employment and skills to be devolved from central to local government.

- In **Canada**, support for those eligible for Employment Insurance (EI) has been gradually devolved to provinces and territories since the 1990s, alongside the transfer of federal staff and assets. This is tied to Labour Market Development Agreements, set out in more detail in section 3.6.
- In **the Netherlands** municipal employment services are funded by block grants, with recent reforms combining this with budgets for adult education, integration, youth and social care as a single 'participation budget'. The Dutch model also includes devolution of benefit expenditure for social assistance claimants. Benefit eligibility is centrally regulated, with areas permitted to keep under-payments (and liable for overpayments) of the grant – creating strong incentives to increase

employment and/ or enforce eligibility rules. While these reforms have had challenges, research suggests that they have been broadly successful.

- The **United States** model is similar. Employment and skills funding is devolved to states and municipalities through block grants; as is welfare funding (to states), with incentives that in practice have often led to restrictions in eligibility or tougher enforcement of conditions.
- In **Denmark**, the funding and delivery of employment services was fully devolved to municipalities in 2009, with over 2,000 employees transferring to local and regional government. Municipalities are also responsible for paying means-tested benefits, and refunded a proportion of this by central government.
- Even the least devolved system examined – in **Germany** – operated a mixed model with federal employment services for the insured unemployed, municipality-funded services for those on means-tested benefits (often operated jointly with the federal service) and local ‘joint agencies’ determining how funding for labour market programmes is used.

In England, the ‘earned autonomy’ model has seen local areas striking deals for significantly increased responsibility for previously centralised funding and systems. For example in the **Work and Health Programme**, both Greater Manchester and London have secured funding devolution and as a consequence been able to double the funding by aligning locally held European money. On skills, Devolution Deal areas will be responsible for the **Adult Education Budget** from 2018/19. This could be up to 10 times larger than Work and Health Programme funding.

Through Work Local, we propose broadening and deepening this approach – devolving funding and control in all parts of the country, and loosening the strings that make it harder to use devolved funding to address local priorities.

Financial control would be devolved to areas through a funding formula based on need – for example comprising measures of employment, economic development, benefit caseloads, skill levels, demographics and disadvantage. Areas would receive this funding as a block grant through which new ‘one stop’ services and support would be commissioned.

Strategy and delivery would be devolved within a clear national framework setting out the high-level priority groups and outcomes that will be achieved, and specific ground rules around the entitlements that specific groups should expect to receive (set out in more detail in section 3.6). Work Local services would then work with local and national partners to determine objectives, policy and service design within these parameters, driven by local need.

Devolution of current employment and skills provision

The Work Local model will devolve existing funding and delivery streams as follows.

Employer support

All current **investment and growth support** (including current European funding and successor arrangements) would be fully devolved, as would **Growth Hubs**. This would enable business support and local economic growth to be fully integrated within the service, and to forge better links between education and training providers (skills supply) and employers (skills demand) so as to meet skills needs and support career progression.

Careers and transitional support

An early priority for devolution should be **careers services and funding**, which are currently fragmented across schools, colleges, councils, National Careers Service, Careers and Enterprise Company and JCP. Alongside this, **Youth Obligation** and **National Citizen Service** funding and responsibility would be devolved – enabling local areas to put in place seamless transitional support for young people, and ‘all age’ careers support that meets local needs.

Education and skills

Building on the proposals for Devolution Deals, responsibility for both **adult skills** – comprising Adult Education Budget, Advanced Learner Loans and current European funding (and successor arrangements) – and **16-19 skills** would be devolved. Work Local would be able to use funding and commissioning levers to reflect local needs, and work with local partners including employers and service providers to develop locally responsive services.

Core skills entitlements, for example for school leavers but also for adults with low qualifications, would continue to be set by national government; as would qualification frameworks and the regulation of education and training. However there would be value in increasing local input into these areas, for example to ensure that understanding of local employer needs are reflected in Ofsted inspections.

On Apprenticeships, **non-Levy apprenticeships** would be fully devolved along the same principles as for other skills provision, as would funding and policy for **apprenticeship grants**. The Register of Apprenticeship providers would in future be cocommissioned by both central government and Work Local, ensuring that it can respond both to local and national needs. For the Apprenticeship Levy itself, which is only paid by employers with payroll costs of greater than £3 million a year, eligibility and funding rules would continue to be set nationally. This reflects the fact that the majority of the Levy is paid by large employers that operate across areas.

Employment

Work Local would fully devolve **JCP employment support**, including employment support for benefit claimants and the Flexible Support Fund. This would be in line with international devolved models, which usually devolve funding and administration of employment services but maintain joint oversight between municipal and central government. Devolving JCP employment support is central to delivering the integrated, ‘one stop’ model set out in section 3.1. It would also be in line with how employment services operate in Northern Ireland. Alongside this, **employment programmes** – including the Work and Health Programme – would also be devolved.

However, we recognise the arguments for maintaining national benefits rules, and that there are economies of scale in delivering this through a single system. We therefore propose that national government continues to operate a benefits system for the delivery of Universal Credit, with strong links between this and Work Local for information sharing, performance management and co-ordination.

Drawing this together, as Chapter 2 sets out, these funding streams have a combined value of up to £10 billion. Devolution would bring with it significant opportunities to better prioritise, target and integrate that funding according to local circumstances and to support national economic and social objectives.

This national framework for devolution would also set clear common entitlements where those are appropriate – in particular entitlements to access support from basic and digital skills, to English and

Maths; to careers advice; and to employment support for disadvantaged groups. This is explored further in section 3.6.

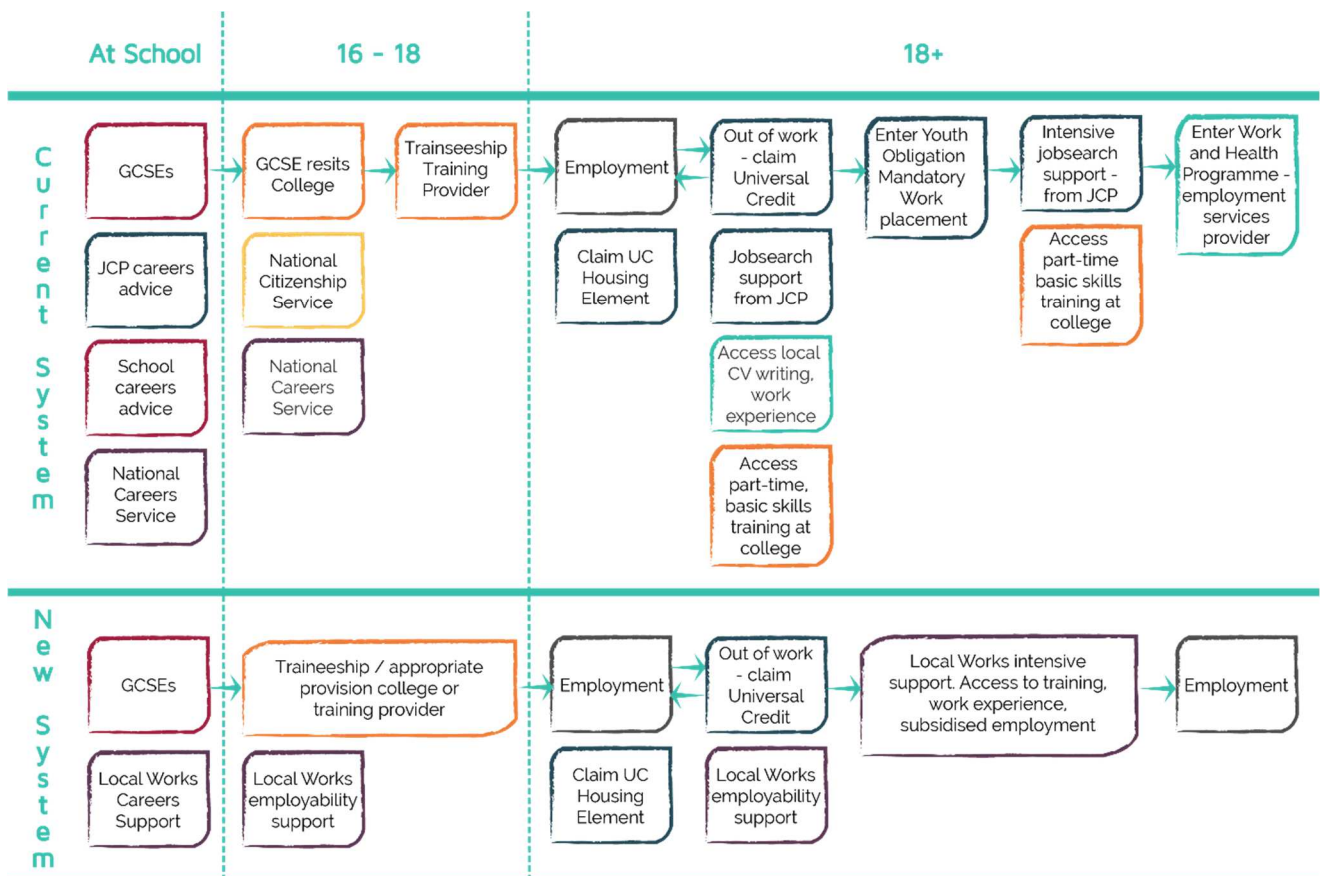
3.5 Improving the experiences of individuals and employers

Work Local will deliver more accessible, responsive and integrated support for individuals, employers and partners. This will make the system easier to navigate, and ensure that those using it can get the right support from the right place at the right time. This will build on approaches taken in a number of local areas already, to improve services for individuals and employers, and ‘hide the wiring’ behind this.

The Liverpool City Region Youth Employment Gateway

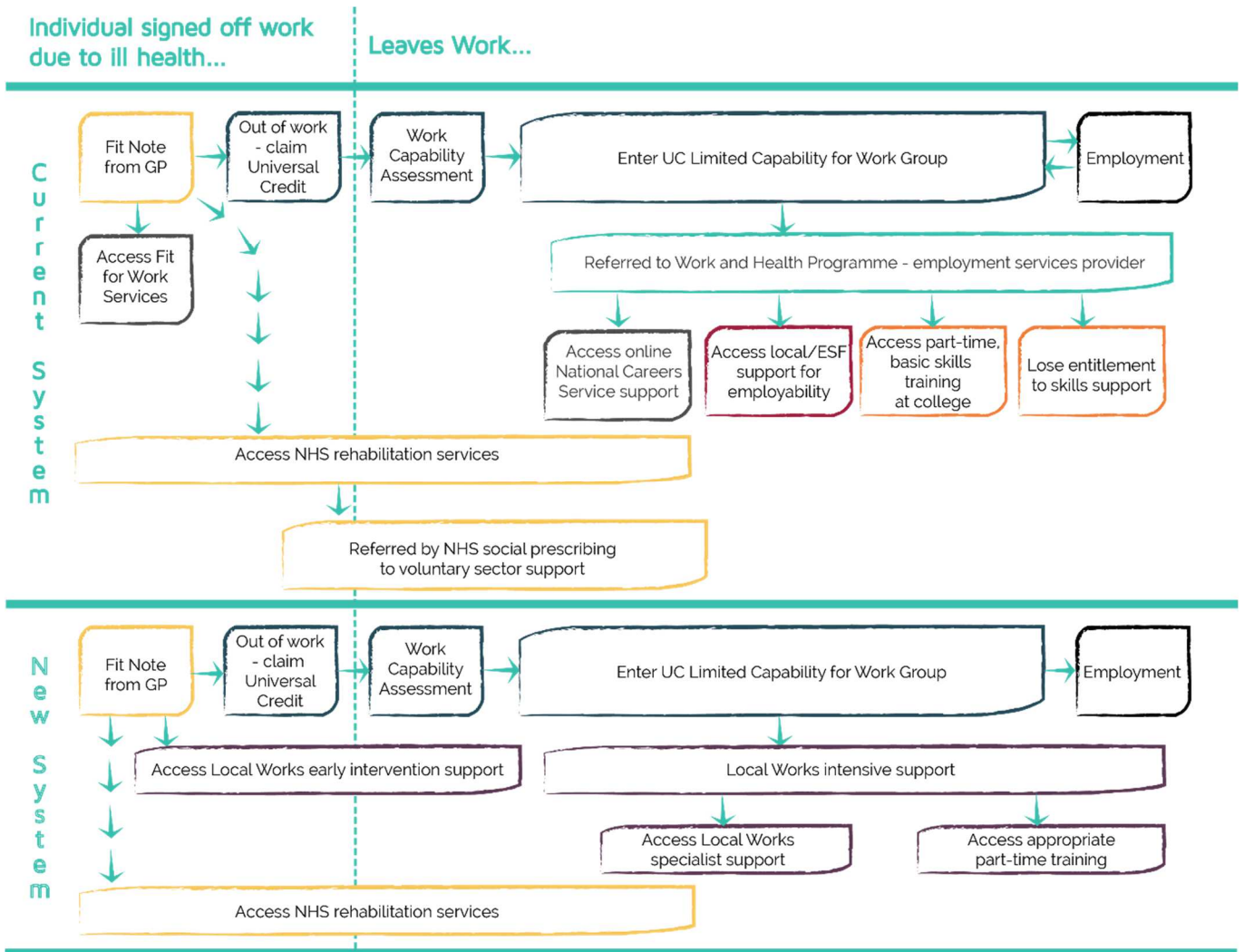
Youth Employment Gateway runs between October 2014 and December 2017, is delivered across six councils and funded from underspends from the Coalition Government’s Youth Contract for Cities. The programme provides access to a dedicated adviser and up to £500 of flexible funding in the form of a personalised budget available to each individual. This can be used to help pay for goods or services that might improve their job prospects, with responsibility for purchasing decisions assumed by the young person. A website has also been developed which gives participants access to a personalised budget planning tool, which helps the young person better manage their funding. The website also provides access to a range of resources that can help improve the young person’s chances of finding and sustaining employment.

So for example for a young person making the transition from learning to employment, Work Local will draw together and integrate support in a single place that is currently delivered through at least six different services. This is set out below.



Work Local will also radically simplify and reform support for the most disadvantaged, which again has been a key priority for local areas.

For someone signed off sick for example, the current system can see individuals passing between health services, Fit for Work, the benefits system, employment services and a range of specialist provision. This can lead to fragmentation, delayed support and perverse incentives – with different bits of the system encouraging different behaviour. With Work Local, there is an opportunity to significantly reform and improve this, with tailored, integrated early intervention and more specialist support sitting alongside health services and the benefits system. This is illustrated below.



For employers, councils are often in the lead in convening employers, service providers and local partners when there are major new developments or job openings. This has often led to innovative local partnerships that bring together key employers, JCP and training providers. A good example of this is the 'intu' recruitment model in Gateshead, set out below.

intu Metrocentre Recruitment Model – Gateshead Council

This is a partnership between 'intu' (the owners of Metrocentre), Gateshead Council, JCP and Gateshead College. It aims to service the recruitment needs of the centre, which with 340 outlets and over 7,000 staff is the largest shopping and leisure centre in Europe.

The partnership, set up in 2009, has grown and evolved to meet employer need. A key feature is that all services operate under the 'intu' brand rather than their own, with recruitment staff 'badged' as such and operating from the centre's management offices.

This approach has brought many benefits. The centre's employers appreciate the convenience of having the recruitment team on site and their extensive local expertise. Doors previously closed to the council or JCP are now open and early access is obtained to new developments and future employers. The number of vacancies handled has increased by 400 - 600 per year to 1,200 per annum.

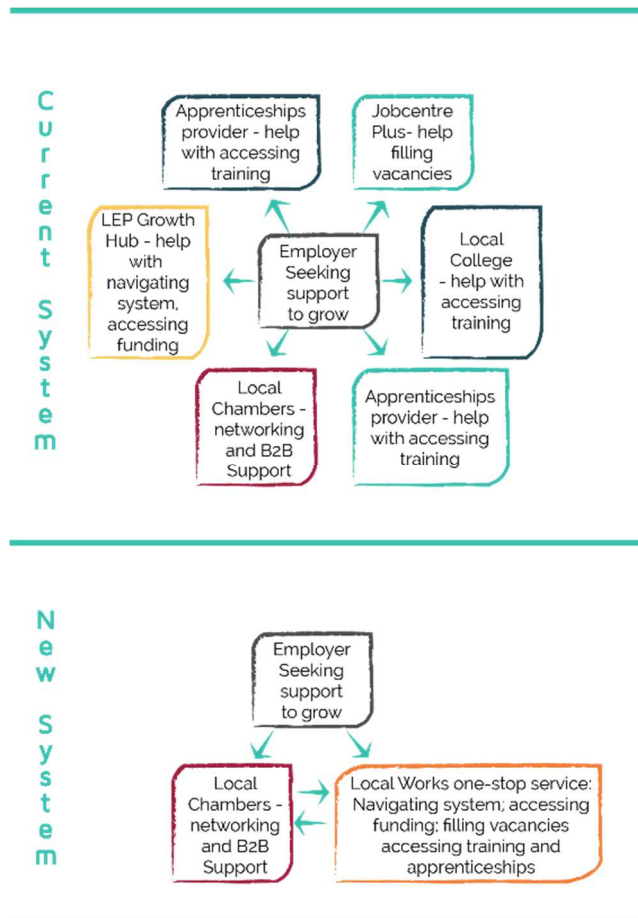
The initial partnership focus was on direct recruitment to identified vacancies and this work continues. However in 2011 the partnership expanded to include Gateshead College and the council's 'LearningSkills' Team. This led to the 'intu Retail Gold Academy' – a retail, hospitality and customer service Sector Based Work Academy run by the college and providing training, qualifications, work trials/ placements and guaranteed interviews. LearningSkills also promote apprenticeships to companies and tie these in to recruitment and training opportunities.

Each year, 1,200 vacancies are serviced with 90 per cent of these converted into job starts and 55-60 per cent of these filled by Gateshead residents.

The flexibility provided by this innovative, integrated and transferable model allows for normal recruitment churn, expansions or new openings and the huge seasonal recruitment, all to be handled effectively.

By devolving control and funding to Work Local, there is the potential to extend the sorts of models described above and to do this for more employers and sectors in more places more of the time.

As the illustration below sets out, employers currently have to engage with a plethora of organisations and services in order to get support to grow or to meet skills and employment needs. Through Work Local, we can bring this together into a single, integrated system.



3.6 Governed by Local Labour Market Agreements (LLMAs)

To make these reforms possible, central government and each combined authority or group of councils will agree a multi-year LLMA. These will be long-term agreements that set out:

- **the transfer of powers and funding from central to local government** allowing for the new policy, management and financial responsibilities around employer support, employment services, skills and careers described in section 3.4 above.
- **the core entitlements for employers and individuals within the new, Work Local system.** These would be agreed between central and local government as part of the devolution deal, but would likely include:
 - employer entitlements to access to skills support, vacancy services and apprenticeships
 - individual entitlements to basic skills, English and Maths where this is needed; to high quality careers advice and guidance for young people and those making transitions into work; and to employment support for the most disadvantaged (for example the long-term unemployed and disabled people)

- entitlements to regular, one-to-one jobsearch advice and support for those who are actively looking for work and available for work, including in the Full Conditionality group in Universal Credit
- **The key responsibilities of local and national government.** This would be framed around the delivery of the Work Local model described in this paper. It would also set out how this will fit with – and the responsibilities of – those elements of the employment and skills system that will not be devolved, including:
 - the administration of Universal Credit and other national benefits – including commitments on accuracy and timeliness of payment, information sharing and partnership working
 - education and skills – including qualification frameworks and accreditation
 - national apprenticeships policy – including on apprenticeships frameworks and the Apprenticeships levy.

This will build on and learn from the Canadian Labour Market Development Agreement model.

Canadian Labour Market Development Agreements

Labour Market Development Agreements (LMDAs) were first implemented in Canada in the late 1990s, to accompany the transfer of responsibilities and funding for employment from federal to provincial government. All provinces and territories have had in place LMDAs since 2010. LMDAs set out in detail the transfer of responsibilities (including federal assets and staff), rules around how devolved and federal services would operate, and key objectives and outcome measures for new services.

LMDAs also required provinces and territories to co-operate with other partners, including employers and community-based organisations; reduce overlap and duplication; encourage personal responsibility for finding employment; and evaluate their impact and outcomes.

The Canadian system, in common with other international approaches to devolution, also put in place annual local plans and performance agreements. So we propose that underpinning these LLMA would be annual **Service Level Agreements** which would describe in more detail how services would operate and what they would achieve. These would be grouped around five headings, set out below.

1. Key outcomes that will be achieved

In a number of devolved systems, key outcomes and measures are agreed regularly between local areas, partners and national government. In **Denmark**, municipalities are required to develop an annual employment plan, which analyses local needs and reflects national goals set by the Ministry (with some flexibility to adapt these and to supplement them with further local targets). In the **United States**, 'Workforce Investment Boards' set performance targets negotiated between the local board and the state governor. In **Canada**, LMDAs also include annual targets for participants served, employment outcomes and benefit savings.

Within England, City Deals and now Devolution Deals also create a framework within which areas can agree with central government their local priorities around growth, employment, skills and inclusion.

For Work Local, we would propose a set of national outcome indicators where performance targets are negotiated between local and national government, supplemented with locally determined measures. These would need to recognise that labour market performance is driven by wider economic and national trends as well as by local responses, but could cover:

- **jobs and investment** – measures of employment growth, and the composition of employment between sectors
- **employment** – measures of employment entry and sustainment for key groups, including young people, Universal Credit claimants, and targeted disadvantaged groups such as those with low qualifications, the long-term unemployed and disabled people.
- **skills** – improvements in basic, intermediate and higher level skills, depending on the needs of the local area and economy; and measures of responsiveness to employer demand for skills
- **service satisfaction** – awareness of the service among employers, individuals and partners; and the extent to which those that use the service consider that it meets their needs.

These targets would also need to be underpinned by a clear evidence base, setting out a common understanding of the needs of the local area. This should build on the leading role that local government is already taking in a number of local areas.

The Essex Evidence Base

In 2013 Essex County Council established the Essex Employment and Skills Board, covering Essex, Southend and Thurrock, and brought together, for the first time, employers, primary and secondary education, further and higher education and employer bodies. Employers were and continue to be at the centre of the board and are the driving force for employment and skills across Essex. Through the federated LEP model the board, supported by Essex County Council, advise and make decisions on funding priorities across the area. Underpinning the Board is an annually refreshed Evidence Base³¹, detailing the economic needs of the area, skill levels, vacancy and job profiles. Crucially, it provides local intelligence that informs policy decisions and enables providers to respond to what employers need. As a direct result of the Evidence Base, two Essex colleges have secured LEP Capital funds to purchase specialist equipment, and build two state of the art training facilities – The STEM Innovation Centre, Braintree and the Advanced Manufacturing and Engineering Centre, Harlow. These are real examples of how local intelligence, driven by the local authority, in partnership with employers, can secure and improve opportunities for local residents, thereby supporting economic growth.

2. Responsibilities

Delivering the Local Labour Market Agreement (LLMA) and the annual outcome measures would require Work Local, central government and wider local partners to work together. So the Service Level Agreement will also set out the responsibilities that national government will undertake – including around:

- its stewardship of the wider economy and labour market, including the migration system
- the smooth and efficient delivery of Universal Credit
- its delivery of the non-devolved elements of the education and skills system, including the Apprenticeships Levy and the qualifications system
- alignment of national policy in related areas, such as health, welfare and justice.

³¹ <https://www.essexesb.co.uk/our-research>

3. Funding commitments

The agreement will also set out how Work Local funding will be deployed across employment, skills and supporting local growth.

4. Delivery plans

Alongside this, the annual agreement would describe at a high level what services would be delivered, where, how and by whom in order to achieve these objectives.

5. Partnership agreements

Finally, other key local partners would also be expected to sign up to the annual agreements, setting out how they will work alongside Work Local to improve outcomes for employers and individuals. This should provide a clear line of sight through to services for example in health, justice and the voluntary and community sector, describing how local funding, commissioning and provision will be aligned.

Local and national employers will also be key partners in oversight and delivery. So, local agreements could also provide a mechanism for agreeing Employer Compacts setting out how employers and local services will work together to support local economies and residents.

Governance

As section 3.2 sets out, local leadership will be key to delivering this vision for reform. LLMA and progress against annual Service Level Agreements would be overseen by the joint boards set out in section 3.2 – drawing together local and national public services, employers and key local partners.

3.7 Delivering better outcomes at a lower cost

By pooling budgets, aligning objectives and removing silos, Work Local will deliver significant economies of scale in what services are delivered, for whom and how. It will be able to commission more intelligently and responsively, with less duplication and a clearer focus on outcomes. The integrated, partnership-based approach, drawing on local insight and intelligence, will mean that the system will be able to respond to the challenges and opportunities set out in Chapter 2.

Transforming employment and skills– the difference Work Local could make

Work Local areas will be able to:

- **increase take-up of employment and skills services** – an integrated, locally branded ‘one stop’ approach will provide a more accessible and engaging service for those who want to work, want more or better work or want to improve their skills, fixing the current system where fewer than half of the unemployed receive employment support
- **design services that meet local priorities and needs** – for example, targeting commissioned services on particular disadvantaged groups, changing eligibility criteria in employment and skills services, or adapting financial incentives for individuals or employers, so that local provision reflects differences in need, for example of young people, the long-term unemployed, disabled people or minority ethnic communities

- **remove artificial boundaries and silos** – through more intelligent commissioning between services and more responsive and integrated design, so depending to local priorities, areas would be able to deliver ‘all age’ careers and information services; provide integrated routes through pre-employment skills, employment support and support in-work to upskill and progress; and integrate the replacement for European Social Fund with mainstream services
- **redesign employer services and support to fully meet employer needs and local priorities** – with flexibility to invest in and develop apprenticeships and skills hubs, integrated advice services for employers, forums to convene key local sectors and bring partners together, start-up and self-employment support, and future growth funding – improving the investment climate, reflecting employer needs, and meeting industrial and Brexit priorities
- **speak with one voice with the education system** – so that pre-16 employability skills, work experience and careers guidance can reflect local employer and Work Local priorities
- **Bring together wider local services in partnership, to support jobs and growth** – to improve engagement and outcomes for employers and residents – for example aligning Work Local support with housing support, health services and Sustainability and Transformation Partnerships, financial and digital support and wider local recruitment and employment services.

The costs, benefits and impacts of a Work Local approach

In order to estimate the potential impacts of Work Local, L&W have modelled the costs and benefits of the current employment and skills system and what could reasonably be achieved through an integrated and devolved approach.

This has used current financial and performance data for an anonymised combined authority with a population of around 1.5 million people (of whom around 1 million are aged 16-64) and with current spending of around £275 million on the main employment and skills services (post-16 education and skills; Adult Education Budget; Apprenticeships; JCP employment services and the Work and Health Programme).

The fiscal and economic benefits of the current system were modelled using current performance rates, with the benefits then modelled using an assumed five percentage point increase in performance as a consequence of devolution and integration (which is a conservative assumption based on the performance gains associated with effective active labour market programmes). Full details on the methodology and results are set out at **Annex 2**.

Overall, the analysis by L&W estimates that an integrated, Work Local model with current funding could lead to additional fiscal benefits for an anonymised combined authority of **£280 million** per year, with a benefit to the economy of **£420 million**. This would be associated with an additional 8,500 people leaving benefits; an additional 3,600 people achieving Level 2 skills; and an additional 2,100 people achieving Level 3.

4. Making this vision a reality

Local government is ready to lead. With commitment from central government, this vision for employment, skills and growth can be put in place within five years. Delivering on it will enable central and local government to better meet the challenges set out in Chapter 2, building a strong economy, supporting the industrial strategy, and extending opportunity to areas and groups that have too often been left behind.

We set out below a timetable and key actions for achieving this. The timetable focuses in particular on the quick wins that can be implemented in the next two to three years without the need for new primary legislation; and leading the way in those areas that are most ready and able to take on new powers and responsibilities. It sets out a roadmap to having new, Work Local Pathfinders ready to roll out by the end of a five year Parliament.

This year:

1. Agree the vision for devolution

Central and local government can work together this year to agree the principles of the Work Local model. This would include agreeing: to the future scope, roles and boundaries of Work Local; to establish Work Local Pathfinders by 2022; a single set of employment and skills readiness criteria for future devolution; and the boundaries for Work Local areas.

Alongside this, central and local government could agree to extend the current 'Devolution Deal' approach on employment and skills devolution to all areas, subject to meeting a common set of readiness criteria, across all of the employment and skills system and for all areas. This would include agreeing the steps needed for all areas to take on local commissioning of the Adult Education Budget, local responsibility for Apprenticeship support funding, joint oversight of the Work and Health Programme, and more.

The geography for future devolution can also be agreed this year – based around combined authorities and groups of councils, with a commitment to bring the oversight of LEPs into line with these as devolution is implemented.

2. Agree a stronger local role in the current employment and skills system

A number of steps can be taken this year to lay the foundations for local leadership and responsibility for employment and skills. This should include:

On apprenticeships:

- codesign apprenticeship support funding with local areas, so that areas can vary financial incentives and eligibility to support local needs
- co-commission with local areas updates to the Register of Apprenticeship Training Providers, so that provision can reflect local as well as national priorities
- relax rules on how Apprenticeship Levy funds can be used by public sector employers, including enabling these to be pooled between local public sector employers, and for local areas to be able to use these funds to establish Apprenticeship Training Agencies

- codesign and co-commission non-levy apprenticeship provision – enabling areas to vary rates and rules for smaller employers within their areas, again to ensure that provision is responsive to employer demand and meets residents’ needs
- devolve any underspends on Levy and non-Levy apprenticeships to local areas.

On **adult skills**:

- agree a new outcomes framework to demonstrate that provision meets evidenced, local need and is underpinned by common local economic assessments
- place local areas in the lead on implementing technical education reforms – with councils convening and co-ordinating this locally
- trust local areas to get on with managing devolved Adult Education Budget.

On **employment services**:

- extend local oversight of the Work and Health Programme to all areas, not just Devolution Deals, so that local public services and programme providers are brought together locally to ensure that services meet needs
- commit to co-commission future programmes under the new Umbrella Agreement for employment- and health-related services, and open up the Work and Health Innovation Fund for locally-led partnership bids
- co-commission between JCP and local areas for future funding of local employment support through the Flexible Support Fund, so that it meets employer and resident needs and the Department for Work and Pensions radically increase JCP co-location with other local services.
- establish joint boards to oversee and integrate the ‘Universal Support’ offer that will be implemented alongside Universal Credit rollout – building on the good practices in council and JCP partnership working in the USdI trials
- explore the scope to pilot the integration of Universal Credit Full Service through joint, ‘one stop’ JCP/ council hubs where there is capacity and capability to do this – for example in the MyGo service in Suffolk
- reform JCP performance reporting, so that it is measured on its performance in supporting claimants into sustained employment (not just off benefits) and so that these measures are reported transparently, regularly and consistently for all local areas.

On **support for young people**:

- evolve funding and responsibility for the Youth Obligation and the Careers and Enterprise Company – this, alongside existing local responsibility for young people not in education, employment or training, will allow areas to better co-ordinate and align services, reduce complexity and introduce more innovative, integrated models to meet local needs
- change operational guidance for centrally funded organisations, including JCP and training providers, so that they are expected to co-operate with these new local services.

On information, advice and guidance:

- use the long-awaited review of careers advice to put local areas in the lead for co-ordinating and commissioning careers information, advice and guidance
- halt the commissioning of new National Careers Service contracts and devolve the funding to local areas alongside a top-sliced element of the Adult Education Budget
- require local areas to then put in place all-age, locally responsive careers advice and guidance services, which can offer high quality independent advice and guidance to support people to make the right decisions at key stages in their lives.

Finally, on the replacement of the European Social Fund:

- place local areas in the lead for the Shared Prosperity Fund – with devolution of funding and responsibilities
- in the meantime, commit to devolution of future underspends on the 2014-2020 ESF programme to local areas.

By 2020:

3. Invest in building the capacity and capability for devolution locally and nationally

A key insight from devolution overseas has been the need to ensure knowledge and capacity transfer between central and local government. So between 2018 and 2020, this should include:

- increasing the capacity in central government to deliver devolution – in particular in the Cities Unit, Department for Work and Pensions and Department for Education
- the progressive transfer of expertise and staffing from:
 - central into local government – in particular policy expertise and staff from agencies including JCP and the ESFA
 - local into central government – there is extensive expertise in local government both from previous efforts at devolution and in integrating local services, which could be tapped in to by seconding local experts into central government departments
- working with the employment and skills sectors and the Education and Training Foundation to develop a programme of workforce development for commissioners, managers and delivery staff to ensure that devolution of powers is accompanied by changes in the culture, effectiveness and responsiveness of services
- developing the information systems and governance arrangements that will support full devolution.

4. Begin the transfer of employment and skills funding and powers – from central to local government, and going faster with those areas most ready to take the lead, including:

Creating Work Local areas:

- establish the boundaries for Work Local – based on combined authorities and groups of councils

- put in place a joint integration board in each Work Local area to oversee the progressive transfer of powers, bringing together councils, central government, employment and skills services, employer representatives and key local partners
- bring responsibility for funding, oversight and boundary-setting of LEPs within the remit of Work Local areas, so that LEPs are accountable to these joint boards
- ensuring that Regional Schools Commissioners and Further Education Commissioners operate to a Work Local footprint.

On **Apprenticeships**:

- devolve non-levy funding and commissioning, with freedom for local areas to use a proportion of this to support local brokerages or hubs, Apprenticeship Training Associations and measures to improve access, and to vary rules and eligibility to support local growth and needs
- give local areas the freedom to widen access to this funding to cover a range of workplace skills provision and not just apprenticeships, in line with resident and employer needs
- devolve control of Levy funding for local public sector employers so that public sector Apprenticeship provision can be locally co-ordinated and targeted.

On **Adult Skills**:

- devolve the Adult Education Budget and Adult Learner Loans, with freedom to vary eligibility and funding rules subject to common national entitlements (for example on access to literacy, numeracy and digital skills support)
- allow an element of AEB funding to be used to support Work Local integration so as to contribute to funding information, advice and guidance as well as local employer brokerage and support.

On **employment services**:

- establish at least one integrated, JCP and council 'one stop' pathfinder in every Work Local area, testing and delivering operational integration that builds on the MyGo model, in advance of full devolution
- use the 2018 expiry of JCP estates contracts to go radically further than currently planned on co-location of JCP within council and other public service buildings
- place local areas in the lead for future commissioning of all employment programmes and Flexible Support Fund provision.

On **local growth**:

- fully devolve Growth Hubs, so that these can become the basis for fully integrated services to support employer growth, employment and skills needs.

On the **successor to the European Social Fund**:

- kick off the commissioning of an integrated, devolved Shared Prosperity Fund

By 2022:

5. Roll out the first Work Local Pathfinders

By 2022, the first combined authorities and groups of councils should be given the responsibility, funding and powers to locally design and commission all employment, skills and careers services through a single, integrated, localised system built around place.

These areas would agree the first LLMA with central government; establish the first fully devolved 'one stop' services to implement this vision; and oversee their implementation through Work Local joint boards.

Consultation questions

The proposals in this paper depend on building effective local and national partnership across services and sectors. So we would welcome views on this vision and on the specific recommendations made in this report.

Consultation questions are set out below. These can be answered online, at www.local.gov.uk/worklocal, or by email, to research@local.gov.uk.

We would welcome responses by 5 September 2017.

Current employment and skills system (see pages 14-28)

1. Do you agree that the current employment and skills system needs reform?
2. Do you agree with the analysis of the issues and conclusions set out in this report?
3. What challenges, if any, does the current system pose for your sector or organisation?
4. Do you agree that services need to be more integrated and relevant to the needs of the local economy and residents?

Work Local (see pages 29-48)

5. Do you think an integrated, devolved employment and skills service could be made to work?
6. Do you agree with the proposals in the report for devolved and integrated One Stop Services?
7. What do you see as the key strengths of the proposals?
8. What do you see as the key risks for the proposals?
9. What are your views on the proposals for further devolving funding for employment and skills? (see pages 38-40)
10. What are your views on the proposals for local governance and partnership? (see pages 44-47)

Annex 1 – Calculating the skills gap and impact on growth

Calculating the skills gap

The government publishes forecasts of employment demand through its Working Futures series. The most recent publication, from April 2016, makes estimates of employment numbers through to 2024 by, among other analyses, qualification at national, regional and LEP levels³².

L&W estimated 2024 employment by skills levels using the Working Futures forecasts for England. They then estimated the skills distribution of the population in 2024 by 'bringing forward' the 2011 census pattern of qualifications to 2024. Those over 25 in 2011 were assumed to have reached their qualification level that applied in 2024, when they would be over 38. Those over 55 in 2011 were assumed to have retired in 2024. The qualification distribution of those under 35 in 2024 was assumed to be the qualification pattern of under-35s in 2016 (the latest figures) to apply to 2024.

As the source data for Census and 2016 data (Annual Population Survey) uses qualifications up to 'Level 4 and above', L&W summed the Working Futures estimates for NQF Levels 4 to 8 to give a Level 4 and above figure. They then presented the charts as 'low skilled' – qualifications under Level 2 or none, 'intermediate skills' – qualifications from Level 2 to Level 3 including trade apprenticeships (which here are those with no equivalence level known), and 'high skilled' – Level 4 and above.

This produces Census based population estimates and Working Futures based employment estimates for 2024. For the skills distribution charts, L&W have presented these as percentages of the respective totals, and the skills gap as the difference between the percentages in the categories.

Estimating the impact of the Skills Gap on Gross Value Added

L&W estimated a summary 'average qualifications' measure, treating qualification levels as numbers.

Gross Value Added estimates were derived from the Income measure of GDP – so earnings plus profits are the core of the measure. It is normal practice to then add a multiple to employee earnings to cover the earnings of the self-employed, profits of businesses, additional labour costs from pension contributions etc. Therefore GVA in total is slightly more than double total employee pay (this also draws on research by the Resolution Foundation on the changing relationship of total wage income to GDP, and the reasons for this).

L&W have assumed earnings differentials by qualification remain the same over the period to 2024.

The modelling was then based on total earnings (plus the multiple) given Working Futures projected skill requirements, and the Census population skills brought forward (assuming stable employment rates by qualification). This then gives total earnings and hence GVA (Income) for both projections.

³² Wilson, R., Sofroniou, N., Beaven, R., May-Gillings, M., Perkins, S., Lee, M., Glover, P., Limmer, H. and Leach, A. (2016) *Working Futures 2014-2024*; Warwick Institute for Employment Research and Cambridge Econometrics; UK Commission for Employment and Skills Evidence Report 100

The total GVA estimates are of the same size as the projections by the Office for Budget Responsibility.

The model used is a relatively simple one and the relationships identified are not perfect. Therefore, the estimates are indicative of the consequences of the skills gaps identified rather than fully verified.

Annex 2 – Calculating the fiscal and economic impacts of ‘Work Local’ for an anonymised Combined authority

Scope

L&W included in the cost-benefit analysis the main current employment and skills funding streams, as follows:

1. Post 16 education/ skills funding
2. Adult Education Budget
3. Apprenticeships (all ages)
4. JCP employment services (job search)
5. Work and Health Programme.

These comprise the majority of employment and skills funding, and are the main funding streams for which costs and outcome data are available. However because there are additional funding streams that are in scope but not included, the analysis overall is likely to slightly under-estimate both the costs and benefits of the employment and skills system (and therefore under-estimate the overall benefits of devolution).

The Work Local proposal is to devolve all of those funding streams in full, with the exception of Apprenticeships where non-Levy funding and public sector Levy funding would be devolved. However the whole of Apprenticeships funding was included by L&W, as it is assumed that the benefits of devolution and integration overall will feed through into positive impacts on the residual of Apprenticeship Levy provision.

Estimating costs

The funding allocations for each of these five areas were apportioned to the anonymised combined authority as follows:

- for Post 16 education and skills funding, Adult Education Budget and Apprenticeships – Skills Funding Agency allocations for 2016/17
- for the Work and Health Programme – the forecast share of individual starters in the combined authority, based on the Invitation to Tender contract value for the relevant Contract Package Area
- for JCP employment services – the cost of ‘job search support’ transactions from the 2013 Government Digital Service ‘cost per transaction’ dashboard (now discontinued) multiplied by the estimated number of job search support transactions based on combined authority caseloads.

This led to estimates of between 2.2 and 4.7 per cent of the total national budgets for each of the five funding streams.

Estimating the current benefits

Estimates of the outcomes achieved for each of the five funding streams were estimated as follows:

- for Post 16 education and skills funding, Adult Education Budget and Apprenticeships – attainment rates for level 2 and level 3 qualifications
- for the Work and Health Programme – estimated job outcomes based on Invitation to Tender for that Contract Package Area
- for JCP employment services – off-flow rates from JSA.

This then generates estimates for each funding stream for the number of individuals achieving these outcomes. Note that this analysis therefore does not include estimates of additional employment outcomes from education and skills funding; nor or additional skills outcomes from employment funding – so again may under-estimate impacts.

These volumes were then inputted by L&W into the Manchester New Economy Cost Benefit Analysis model³³ so as to estimate fiscal and economic benefits of each funding stream on current performance levels.

The impact of improved skill levels

The Manchester model includes a fiscal value for increased skill levels for those with a qualification level below level 2 reaching a level 2 qualification and those already with a level 2 qualification reaching a level 3 qualification. The proportions for each level come from participant and achievement statistics from the SFA. The economic benefit of ‘upskilling’ is based on the percentage uplift in wages as identified in BIS and IER research findings.³⁴

The fiscal value is calculated using the up-front costs of supporting qualification attainment, and the change in tax revenues (increase in income tax, national insurance contributions and VAT payments) associated with qualification attainment. The source quotes the benefit over an average working lifetime of 40 years, from which an average annual benefit has been calculated by dividing by 40 (multiply by 40 to return to the working lifetime figure).

The economic value represents the additional annual earnings gain per employee as a result of achieving the qualification. The lower estimate was used, which reflects an assumption that 50 per cent of the employment benefit is attributed to the qualification, following the approach of McIntosh (2007)³⁵. As with the fiscal value, an annual benefit has been calculated by dividing the economic value for an average working lifetime (40 years) by 40.

All figures have been updated to present values.

³³ <http://www.neweconomymanchester.com/our-work/research-evaluation-cost-benefit-analysis/cost-benefit-analysis/cost-benefit-analysis-guidance-and-model>

³⁴ Returns to vocational qualifications. Research Paper 53, Department for Business, Innovation and Skills, 2011.

³⁵ <http://docplayer.net/27985514-Research-a-cost-benefit-analysis-of-apprenticeships-and-other-vocational-qualifications.html>

Welfare benefit savings from entering work

The given values for JSA, ESA and Income Support are illustrative estimates by the Department of Work and Pensions (DWP) of the costs and benefits that would occur if a hypothetical 'typical' claimant (who would otherwise have remained on benefits) were to move into employment for one additional year. The in-work wages and working hours of 'typical' claimants are assumed to be consistent with those reported by relevant former benefit claimants³⁶. Changes in income tax and National Insurance payments are estimated by applying a simplified model of the tax and NI systems to the relevant in-work wage estimates. Changes in tax credits, indirect tax and benefit payments are estimated using the DWP's Policy Simulation Model.

The fiscal value comprises savings in benefits payments accruing to the DWP's Annually Managed Expenditure, and savings to the NHS related to a reduction in health care costs associated with being out of work. The economic value again includes assumed additional earnings gains.

Estimating the additional benefits of 'Work Local'

To estimate the additional impact of Work Local, L&W have assumed that the costs of the employment and skills system remain the same, but that the outcomes achieved by each stream are improved by 5 percentage points. This is a plausible assumption based on the performance gains associated with effective active labour market programmes (which are typically in a range of 5 to 15 percentage points).

These revised outcome figures were then inputted into the Manchester model, to generate new estimates of fiscal and economic impact. These new estimates were then subtracted from the 'current' benefit estimates to give estimates of additional fiscal and economic impacts. These are set out in Table A2.1 below

Table A2.1 – Additional impacts of Work Local

Funding stream	Additional job outcomes	Additional off-flows from benefit	Additional learners reaching Level 2	Additional learners reaching Level 3	Additional fiscal benefits (£m)	Additional economic benefits (£m)
Post 16 provision			1,477	292	£0.30	£1.00
Adult Education Budget			1,638	1,485	£1.00	£2.30
Apprenticeships			507	350	£0.20	£0.60
Work and Health Programme	88				£0.80	£1.30
JCP job search		8,472			£278.00	£414.00
Total	88	8,472	3,622	2,127	£280.30	£419.20

³⁶ See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/214578/rrep791.pdf



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