

PRODUCTIVITY AND PLACE

Recommendations for
policy and practice



Summary report
February 2019

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While this report has been supported by the JPMorgan Chase Foundation, the contents and opinions in this paper are of the authors alone and do not reflect the views of the JPMorgan Chase Foundation, JPMorgan Chase & Co, or any of its affiliates.

Summary report

Productivity and place: recommendations for policy and practice

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Acknowledgements

This report was written by Professor Carol Atkinson and Professor Ben Lupton from the Centre for Decent Work and Productivity, Manchester Metropolitan University and Lizzie Crowley, CIPD.

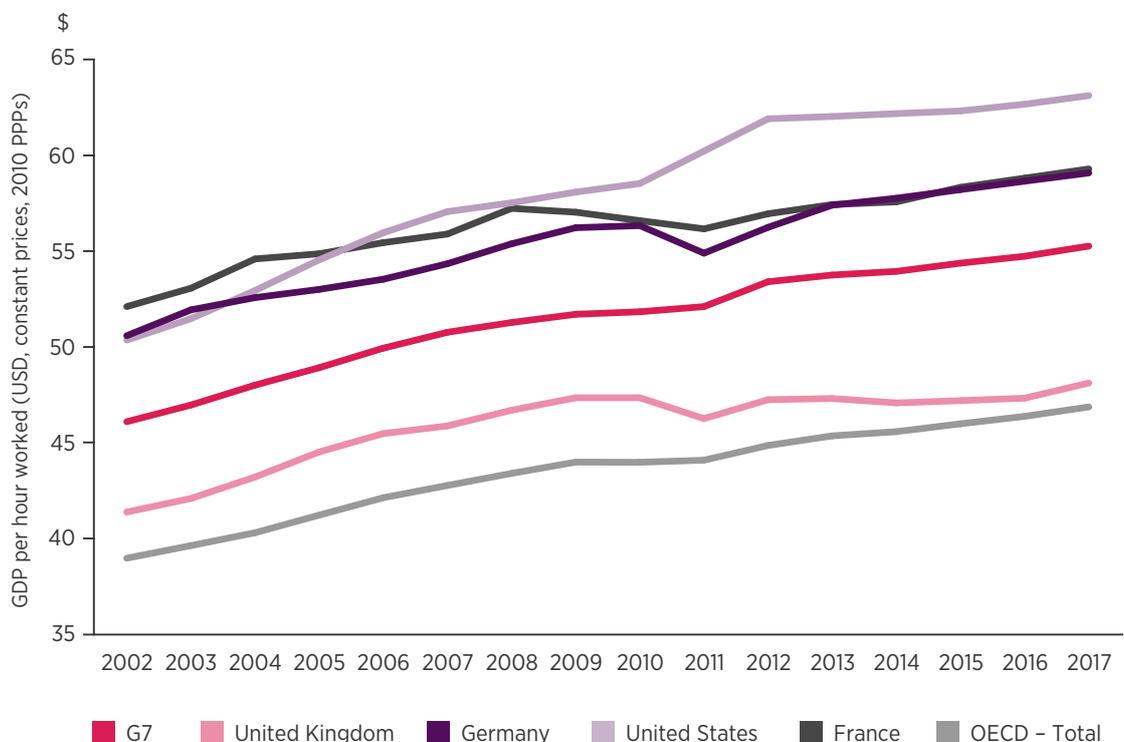
1 Summary report and recommendations for policy and practice

In the context of the UK's low and stagnating productivity, increasing attention has focused on the human factors that may underlie it. There has been a particular focus on skills, and the extent to which skills gaps and the underutilisation of skills¹ may contribute to economic underperformance. National and local skills policy has inevitably fallen under the spotlight. This summary report (and the full report from which it is drawn) focuses on one important aspect of this – the utilisation of skills in local economies, and the role of Local Enterprise Partnerships (LEPs) in addressing the challenges that this presents. We summarise an analysis of LEP strategic plans and other key documents, designed to shed light on the LEP priorities and activities in this space, and of interviews with 16 senior LEP staff across 15 LEPs. Based on the conclusions from our analysis, we make a number of recommendations for LEPs and policy-makers to better support the efficient use of skills in the economy.

2 Productivity and skill utilisation

The UK has a productivity problem. Figure 1 highlights the considerable gap in labour productivity performance compared with Germany, the United States and France.

Figure 1: GDP per hour worked in selected countries, 2002–17



Source: OECD Compendium of Productivity Indicators, OECD Statbase <https://stats.oecd.org/>

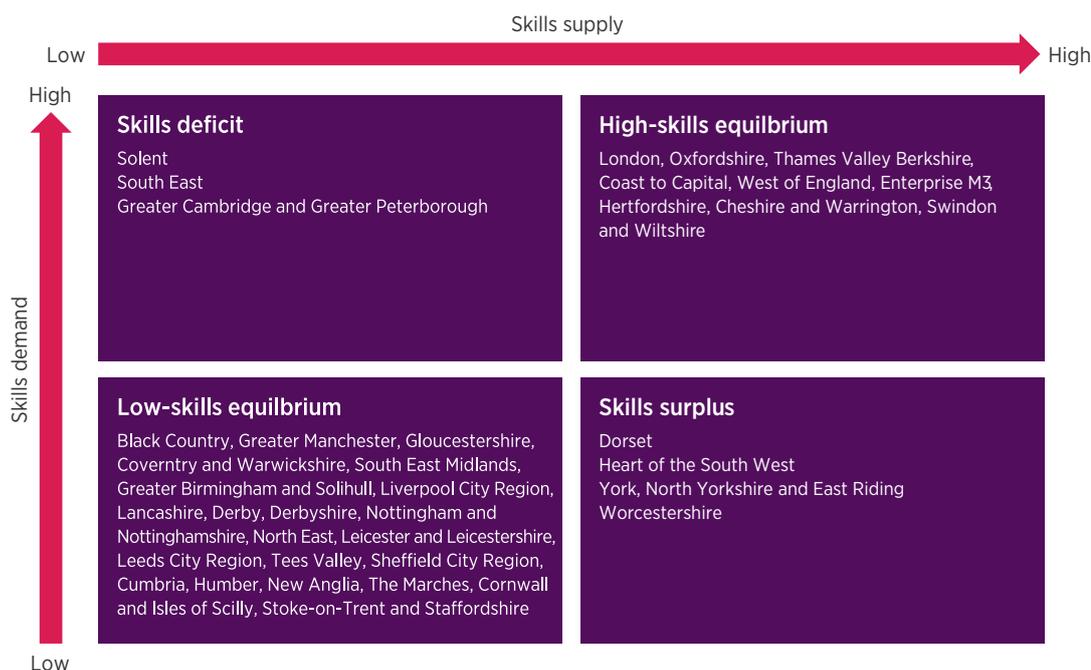
The reasons behind this are not entirely well understood; however, a number of commentators have pointed to both the long tail of poorly managed firms in the UK, relative to other countries, and poor skills development and skills use in the workplace as key contributory factors. How skills are effectively used, or not, in the workplace has important economic and social implications. People who report using their skills fully have increased job satisfaction, earn more, and are more resilient to change, while businesses benefit from a more productive workforce and increased profitability.^{2,3} Conversely, employees who are overqualified report dissatisfaction and lower commitment.

Inefficient skills use within firms also impacts on the wider labour market, as it makes it harder for more efficient firms to expand.⁴ The UK has the highest proportion of workers in Europe who say that their jobs require no qualifications, and comes fifth bottom in the European league table for skills mismatch.⁵ OECD research has found that the UK could benefit from a 5% productivity gain if the level of skills mismatch was reduced to OECD best practice levels.⁶

3 Understanding the scale of the challenge in Local Enterprise Partnership areas

Concerns about productivity and skills utilisation have focused attention on UK skills policy and on strategies for local economic development. Local Enterprise Partnerships (LEPs) were set up in England in 2010 and tasked with promoting local economic growth. Investment to support skills and employment is an important part of their remit, and features prominently in their Strategic Economic Plans. There are 38 in total and they vary in size and scope, and also in the skills challenges they face. The list below shows a simple typology designed by Green et al⁷ and adapted and used by the OECD⁸ to show the relationship between skills supply and demand at local (or regional) level, with each of the quadrants representing:

- *‘Low skills equilibrium – a situation of low supply and of low demand for skills;*
- *Skills gaps and shortages – a situation of low supply and high demand for skills;*
- *Skills surplus – a situation of high supply and low demand for skills; and*
- *High skills equilibrium – a situation of high supply and high demand for skills.’*

Figure 2: Relationship between supply and demand: a simple typology of LEP areas

The capability and capacity of LEPs to meet these (and other) challenges has been questioned recently by the National Audit Office because of concerns around appropriate resourcing and staffing. It has also been argued^{9,10} that LEPs' focus on skills has been too narrowly framed in a number of ways. This might be manifested either in a focus on a restricted range of sectors (for example, high-growth sectors), on the flow of skills from education, rather than the stock of skills (already in employment), and on improving the supply of skills rather than on increasing demand for skills and improving their utilisation (for example, through better job design and workforce development).

4 Analysis of Local Enterprise Partnership documents

The research had two elements:

1 An analysis of LEP documents

A documentary analysis of Strategic Economic Plans, and (where applicable) City Deals and Skills and Employment Plans, was carried out in respect of each of the 38 LEPs. Keyword searches were used to identify and classify activities, plans and priorities.

2 Interviews with LEP representatives

Interviews were carried out with representatives from 15 LEPs, across a range of sizes, geographies and skills challenges. Questions addressed LEP approaches to skills policy, skills supply and demand, productivity and inclusive growth.

The word cloud (Figure 3) gives a sense of the key themes emerging from the documentary analysis. 'Skills' features prominently in LEP strategic documents, second only to 'growth'.

'Providing skills doesn't necessarily lead directly to productivity unless those skills are used, but I think if employers are clear about what skills they need they're more likely to if they are able to access them to use them. So it's working with employers on a kind of journey, isn't it, I suppose.' (LEP2)

Growth Hubs and LEPs could provide this connecting infrastructure, but it was reported that this did not always happen in practice. Very few LEP documents linked skills development to wider economic and social benefits beyond those to the individual and the firm. For example, Cornwall LEP was one of the few that drew attention to the symbiotic relationship between skills development, economic (in)activity, and health. Also, there was very little recognition of the argument that increasing wages will have a knock-on effect for local demand for goods and services.

Inclusive growth reflects an aspiration that growth benefits all sections of society, and the term was mentioned extensively in the interviews. However, there was a tendency to conflate it with social inclusion – the process of improving the terms on which (disadvantaged) individuals or groups take part in society. Accordingly, many of the initiatives reported focused on the (laudable) aim of getting marginalised people into employment, not on the quality of those jobs, utilisation and development of skills and progression opportunities – things that might drive growth. There were, however, some exceptions:

'Similarly with DWP, you know, there is a focus on sustained employment outcomes, so making sure through that – again, that one-to-one support, people stay in work and they get that progression and sustainability into the workplace. So it is very much about that – their stickability, I suppose, in terms of the job outcomes.' (LEP11)

2 Skills supply

Many of the LEP reports articulated a view that skills gaps were to be primarily interpreted as a failure of the skills supply system, in essence the education system. However, most also recognised the role of businesses in addressing skill shortages. Three main ways in which this could happen were identified:

- funding investment in skills by paying for staff training
- influencing skills provision, as in this example: *'Employer Panels will be established to identify ... the skills and workforce development needs affecting key sectors in Cumbria ... the panels will be a vehicle for regular and structured dialogue between the employer base, skills providers and the Employment and Skills Commission ... they will help to ensure that provision effectively meets emerging skills needs and that the county has a responsive skills system'*¹²
- the broader role of employers in providing opportunities for people to gain and develop skills in the workplace, for example through progression, exemplified below: *'Enhancing employer demand and utilisation of skills: The Assessment noted that employers and the business community have a central role to play in optimising demand for, and utilisation of, skills within their business. Many employers may need support with workforce and succession planning to help reduce skills mismatches now and in the future.'*¹³

There was some recognition of non-education factors that might affect skills supply (for example lack of affordable housing, poor transport, poor childcare provision), and also the need for advice and support to facilitate the transition (back) into work:

*'Many young people, particularly from poorer backgrounds ..., still do not get the ... advice ... they need to ... make a smooth transition to ... the world of work and realise their aspirations ... the lack of information and advice continues into adulthood, meaning many individuals ... are not supported to continue to develop their skills, throughout their working lives.'*¹⁴

However, this focus on the individual rarely extended to a recognition of the importance of what people experience once they are (back) in work. Only the Manchester and London reports contained significant discussions of skills and in-work progression, and, for example, how flexible working may help people transition to work and employers to retain and develop their skills.

This emphasis on supply was heavily emphasised in the interviews as it was in the documentary analysis. This is unsurprising as participants were primarily drawn from employability, education and careers backgrounds, but it does underscore the point that the skills remit is primarily understood in terms of skills supply:

'Because at the moment if we're totally honest, it's a supply-driven model. So the skills system is based on learner demand. It's based on employer demand where employers want to pay for it, but employers don't want to pay for it. So we have got significant issues there.' (LEP11)

Key elements of LEP activity in relation to skills supply were work with education/skills providers, career guidance services, and apprenticeship provision. The devolution of the adult education budget was welcomed by most, though there were challenges for small LEPs in managing that. There was much emphasis on developing pathways into work, though again skills utilisation rarely formed part of that. In terms of careers, there were interesting examples of LEPs involving businesses in careers' advice programmes and creating a careers brokerage system. The role of apprenticeships in skill development was noted, and not only at lower levels, and some LEPs saw apprenticeships as a mechanism for improving job quality and social inclusion. All participants noted the post-levy fall in apprenticeship numbers, and drew attention to the reasons for this.

3 Skills demand

Skills supply activities were often premised on the assumption that improving supply drives economic growth, irrespective of their uptake and application (the demand side). Skills demand issues were covered in the majority of reports, but in comparison with skills supply, discussions were often not well developed. Many LEPs made the link between skills and productivity, but few articulated how that worked or articulated the role of skills utilisation:

'There are low levels of productivity and innovation and in GM over £1bn is spent on in-work tax credits, demonstrating that many GM residents are working in low-paid jobs often with poor

*career progression. As well as up-skilling individual residents this needs to be addressed through better skills utilisation and a move to higher value activities by some businesses.'*¹⁵

And while the challenges of matching future demand and supply of skills were extensively addressed (see below), the emphasis on the demand side was predominantly on business identifying skills requirements and then education providers meeting them. However, some LEPs envisaged a more integrated and demand-led process:

*'Stoke-on-Trent and Staffordshire needs a demand-led skills system. There is a persistent mismatch between the skills that employers look for and those delivered by the education system. Getting this right would contribute to the productivity and growth of the whole economy.'*¹⁶

The relative lack of emphasis on the demand side revealed in the documentary analysis was for the most part reflected in the interviews. Some respondents suggested that a focus on demand was not seen as part of LEPs' remit:

'In a way they're what you might call, supply-siders, you know in that whole economic sense, they are supply-siders.... The thought that there are major issues around the labour market, they see, either as something they cannot do anything about, or something that's simply not their business.' (LEP1)

Reflecting this, only a small number of LEPs appeared to be proactive around skills demand issues. Efforts to influence skill demand were largely positioned in terms of job quality and employment standards and initiatives designed to enhance these (for example employment charters). In most cases these were indirectly connected to the LEPs via mayoral combined authorities. In-work progression initiatives were mentioned by some respondents and there were also reports of business growth programmes that in part addressed issues of job quality:

'So making sure that you have the conversation with businesses around, do you have any kind of focus on growing your own or developing your own as part of the workforce development agenda? Moving people into different job roles and then backfilling with other members of staff, whether it's an apprentice. So there's a lot of work to do on that because lots of companies don't have dedicated training budgets, they don't have a dedicated HR team.' (LEP9)

4 Skills gaps - linking skills supply and demand

There was widespread recognition that skills gaps were a barrier to growth. However, there was much less evidence in the LEP documents of analysis of skills gaps or their causes (GCGP and SSELEP are interesting examples of some of the exceptions). D2N2 LEP carried out a more extensive mapping of the supply and demand for technical skills, resulting in a 'skills mismatches' report which identifies current and future skills shortages and flags up where skills provision is unlikely to meet the gaps.

Fourteen LEPs focused in their reports on gaps in higher-level skills, often combined with a narrative around future economic growth being likely to come from high-value activities:

*'Digital and Tech skills are a key area of opportunity. They can empower entrepreneurs to innovate in disruptive technologies and are increasingly essential to all businesses.'*¹⁷

Several LEPs recognised that education and training provision would only plug skills gaps if the course on offer were tailored to meet the needs of local employers, but there was less space devoted to how this might happen in practice. Some LEPs outlined the need for employers to identify skills requirements and influence education providers, and perhaps participate in the design and delivery of courses. Others stressed the importance of accurate labour market information.

Some documents referred to the development of 'skills ecosystems'; however, the development of these and their impact on productivity were rarely fully developed in the strategic plans. Both London and Manchester were exceptions in highlighting the employer role in driving skills demand and an integration of this with supply-side initiatives, as well as its role as a driver of the movement to a 'high skills equilibrium' and growth:

'GM will ... be working with employers ... to invest in skills and improve skill utilisation and help firms compete on the basis of higher skills and greater innovation.' (LEP8)

Interview respondents referred to the fragmentation of skills systems resulting from policy changes and the resultant difficulties in integrating the component parts, making it difficult for the ecosystem idea to be realised:

'The fact that there is no formal system. Growth Hubs aren't really there to do that [provide integration] in the same way that the previous overarching mega structures that we had back in the late 1990s, early 2000s. It means that we haven't got the same tools.' (LEP8)

There was some recognition of the problems with low-skills equilibria, but little confidence amongst the interview respondents that policy initiatives were likely to move regions out of those. Initiatives that bridged supply and demand tended to be individually focused, not operating at the level of the wider skills system, and thus represented a missed opportunity to influence skills demand.

Many LEPs engaged in activity to identify the match/mismatch of skills supply and demand. These were of varying degrees of sophistication depending on resources available. Further, there was some concern that statistical approaches to this could be crude (and the data sources not reliable), and that direct engagement with employers might offer better results. A possible solution to challenges in this area arises from a pilot of Skills Advisory Panels, which were well received by the LEPs we interviewed, albeit there were some concerns about methodologies being too inflexible to address local circumstances.

Overall, much of the focus of activity in relation to skills gaps was in matching future supply to current demand (extrapolated) rather than seeking to influence demand through changing the behaviour of employers.

5 The role of employers in skills development

The primary formal mechanism for engaging employers with the skills agenda was through LEP Employment and Skills Boards (or similar). In addition to these being a forum for discussion on employer demand, skills provision and curriculum design, they also were the platform for specific initiatives (for example business people acting as enterprise advisers in schools, or assisting with careers advice). Employer demand was generally taken at face value, and the boards were not reported as being used as a forum for influencing demand. However, in some instances LEPs were prepared to challenge employers on their role, and their willingness to invest:

'I think there's a huge challenge to business that is about saying, well, okay, you're telling us you've got a skills gap, what are you doing about it? So where's your apprenticeships, where's your work experience, where's your engagement with careers education in schools, where's your response as a business to help us do this? Because in effect we're not going to hand it to you on a plate. We haven't got the money in effect to give you to just deliver new employment opportunities and train people; you're going to have to respond to this yourselves. Again, that's quite a challenging conversation to have, but actually it is the one that has to be had.' (LEP11)

6 Skills and SMEs

A majority of reports specifically addressed the particular challenges that SMEs face in relation to skills:

*'SMEs tend to find it more difficult to recruit ... due to ... small recruitment budgets, a lack of HR expertise and a lack of brand recognition, and are less able to "recruit on potential" as they tend not to have the capacity to ... develop staff who don't have all the required skills. SMEs can find it more difficult to retain staff ... having fewer career progression opportunities.'*¹⁸

Challenges identified include lack of resources and expertise, the complexity of the skills system and difficulties in accessing it, and costs/perceived costs of training. A smaller number of LEPs identified that SMEs were also more challenged in relation to skills demand, though here still the emphasis is on leadership, and not wider issues around job design, progression and retention:

'A large number of our small businesses have never engaged in any management or leadership training and do not recognise the need for it.... With an economy dominated by SMEs, it is vital that we address this.' (Leics LEP)

Interview respondents reported that it was often seen as difficult to engage SMEs in formal discussions around skills supply, which is a concern given their importance to many local economies. LEPs adopted a number of initiatives to support SMEs, largely start-ups and those in high-growth sectors. Much of this focused on skills supply, with a particular emphasis on apprenticeships.

However, it is also true that much Growth Hub activity targeted SMEs. There was a substantial emphasis on leadership and management training, recognising that the poor management underpins the long tail of low-productivity firms and that better skills in this area could improve skills utilisation. Most LEPs spoke positively about their contribution here. Others wanted to see a shift to a focus on HR management. LEP 14, for example, was in the process of commissioning an ESF-funded programme to help SMEs deliver effective HR practice.

7 Skills policy

Many respondents reflected on the policy landscape. The devolution of skills policy was welcomed, but many raised concerns as to whether LEPs had the resources to deliver effectively:

'And that sort of strategic governance piece, particularly in the absence of some of the leadership from some of the national agencies, has just disappeared. It's all-right saying to local authorities "it's your responsibility now," but being honest, the drawback in the public sector over the last seven, eight years means that local authorities are focusing on social care and other things. While those of us that are fortunate to have retained an economy focus, there are other areas of the country where they just don't have that at all.' (LEP8)

The replacement of EU funding schemes, on which there is heavy reliance in the skills supply field, was a significant additional concern. It was noted by some that national investment and programmes were primarily focused on skills supply – and also an array of local initiatives of this type – but that there was no corresponding investment or infrastructure to support skills demand initiatives:

'Major government programmes that exist in some Scandinavian countries, Finland..., that are really behind trying to encourage employers to move up the value chain, compete in different ways. It's almost like a consultancy service, but backed by the state, that encourages employers to think in new ways, to have consultancy help available at quite low cost when they're trying to sort of rethink their skills needs. So that's kind of one policy lever that exists in Scandinavian countries, but it doesn't currently exist here.' (LEP1)

5 Conclusions and recommendations for policy and practice

Conclusions from the main report are drawn in relation to four main areas; these are set out below.

1 Skills policy

Devolution of skills policy to the local level is embraced by LEPs and skills are prominent in their Strategic Economic Plans:

- Yet, the skills policy landscape is fragmented and complex, and local skills activities lack strategic engagement with/from national policy-makers (for example the Department for Education).
- Withdrawal of EU funding post-Brexit may further limit national-level support.
- LEP capability, infrastructure and resource constraints, particularly in smaller LEPs, limit what can be achieved, and sometimes restricted focus to a few priority sectors.
- LEP structures sometimes led to lack of co-ordination of activity, for example, a disconnect between Growth Hub and wider LEP activity.

2 Skills ecosystems

Skills ecosystems are central to the OECD approach, but there is little evidence of systematic attempts by LEPs to influence both skills supply and demand. This was influenced by:

- fragmentation in LEP structures
- limited capacity in some LEPs to analyse skills gaps, and an emphasis on current skills shortages to the exclusion of initiatives to influence demand
- tacit acceptance of low-skills equilibria, and focus of effort overwhelmingly on getting people into employment
- focus on social inclusion as opposed to inclusive growth.

3 Skills supply

This was the main focus of LEP activity, and involved a great deal of excellent work around skills provision, careers advice and apprenticeships. However:

- The work of education providers was not always linked effectively with local economic needs.
- Attempts to involve business were often limited by difficulties in businesses articulating their needs, and LEPs taking these at face value, rather than seeking to shape demand. Many LEPs operated a supply-driven model, with the employer role being largely about influencing supply.

4 Skills demand

As noted, there was limited evidence of attempts to develop skills demand alongside supply, and often a view that improving skills supply on its own would address local economic challenges. This reflects the national picture, where there is a lack of an overarching skills demand policy. There were some exceptions:

- development of employment charters in two mayoral authorities in an attempt to drive up employment standard

- Growth Hub activity and other business support; however, this often:
 - lacked integration with other LEP activities
 - did not involve the use of ‘specialist’ employment advisers
 - did not go beyond management/leadership training, and there was some scepticism about whether this was what was needed in any case
 - did not reach the long tail of non-engaging/unproductive firms.

Recommendations

- 1 Develop a national skills policy that addresses skills utilisation, both skills supply and skills demand, creating a framework for local action and resourcing an infrastructure that supports devolution of skills to a local level. This development will move policy beyond its current emphasis on skills supply.
- 2 Create clear, post-Brexit skills funding streams that are innovative and flexible so as to respond to local need.
- 3 Explicitly position skills utilisation, addressing both skills supply and demand, as part of the remit of Local Enterprise Partnerships (or equivalent).
- 4 Emphasise local skills ecosystems that integrate current infrastructure (for example LEPs, Growth Hubs, anchor institutions, business networks) to address improved supply and demand and remove tacit acceptance of low-skills equilibria.
- 5 Introduce mechanisms that develop capacity for local skills analysis, for example rollout of Skills Advisory Panels or alternative approaches.
- 6 Develop skills supply initiatives that go beyond delivering employment for those leaving education or furthest from the labour market to include supporting in-work progression. To engage SMEs, less bureaucratic initiatives are needed.
- 7 Develop effective mechanisms to influence skills demand, working with employers on job design that creates stable, fairly paid work that offers training and in-work progression and promotes inclusive growth. Current initiatives such as combined authority employment standards should be evaluated for their effectiveness here.
- 8 Introduce/develop business support programmes that deliver robust human resource management input to influence skills demand, improve skills utilisation and increase productivity. Access to these will be particularly important for SMEs and should offer specialist support (for example OECD, People Skills).

Practical steps for Local Enterprise Partnerships to consider

1 Engage with and shape the local skills ecosystem

- Consider the extent to which the LEP and other local stakeholders (for example Growth Hubs, anchor institutions, business networks) recognise and engage with the local skills ecosystem. Where applicable, does strategy and action explicitly seek to shift from ‘low-skills equilibria’?
- Consider what can be done to ensure that activities that address skills supply and skills demand are integrated, and that this is done in a strategic way that explicitly recognises and addresses local skills challenges (for example local skills equilibria).
- Review the extent to which skills strategy explicitly recognises potential benefits beyond improved productivity (firm and locality) and outcomes for individuals – for example social, health and economic benefits from development of ‘better’ jobs.

- Consider the ways in which skills strategy promotes inclusion beyond a focus on labour market entry for marginalised groups. To what extent does people's experience in work (skills development, progression, careers advice) play a role in ensuring they are included in the benefits of growth? What role can the LEP and partner bodies play in promoting that?

Skills ecosystems

A skills ecosystem is a term borrowed from ecology which seeks to capture the idea of a self-sustaining system of workforce skill development and utilisation in a local area. The emphasis is on the inter-relatedness of different elements that make up the system:

- the education and training system and its role in the supply of skills
- organisations and their role in demand for, and utilisation of, skills and influencing supply
- policy bodies in analysis of skills supply and demand, and interventions to support skills development and utilisation
- individuals in developing and utilising skills.

An ecosystem approach encourages policy-makers to take a holistic view of the skills challenges in the local economy and to focus on both the supply of skills and their demand and utilisation. Skills ecosystem strategies often aim to 'shift' the ecosystem to one with an equilibrium of supply and demand for skills, and to one characterised by higher-level skills and better-quality jobs.

See *Skills in Context: A guide to the skill ecosystem approach to workforce development* (2008, New South Wales Department of Education and Training). Available at:

www.voced.edu.au/content/ngv%3A12460

A skills ecosystem approach in practice

Career pathways: one city working together, New York City

Despite have a strong economy, New York City faces significant challenges related to widening income inequality and a growing number of working poor who experience limited opportunities for career progression. Alongside this, many employers report that they struggle to access the high-skilled workers they need. In recognition of these challenges, the mayor convened the Jobs for New Yorkers Task Force in 2014 to set new priorities for employment and training programmes. The taskforce identified ten recommendations:

- 1 'Launch or expand Industry Partnerships with real-time feedback loops in six sectors: healthcare, technology, industrial/manufacturing, construction, retail, and food service
- 2 Establish Career Pathways as the framework for the City's workforce system
- 3 Invest USD 60 million annually by 2020 in bridge programmes that prepare low-skill jobseekers for entry-level work and middle-skill job training
- 4 Triple the City's training investment to USD 100 million annually by 2020 in career-track, middle-skill occupations, including greater support for incumbent workers who are not getting ahead
- 5 Improve and expand career and technical education and college preparedness programmes, adjust local universities' alternative credit policy, and invest in career counselling to increase educational persistence and better support students' long-term employment prospects
- 6 Increase work-based learning opportunities for youth and high-need jobseekers
- 7 Create a standard that recognises high-road employers who have good business practices, with the goal of assessing at least 500 local businesses by the end of 2015
- 8 Improve the conditions of low-wage work by expanding access to financial empowerment resources in partnership with at least 100 employers and pursuing legislative changes such as increasing the minimum wage
- 9 Maximise local job opportunities through the City's contracts and economic development investments by establishing a "First Look" hiring process and enforcing targeted hiring provisions in social service contracts
- 10 Reimburse workforce agencies on the basis of job quality instead of the quantity of job placements by aligning service providers under a system-wide data infrastructure that measures job outcomes such as full-time work, wage growth, and job continuity'

Source: City of New York (2014) *Career pathways: one city working together*. Cited in:

www.ilo.org/wcmsp5/groups/public/---ed_emp/---ifp_skills/documents/publication/wcms_618785.pdf

2 Review approach to analysis of skills supply/demand

- Review activities around analysis of skills in the local economy, trends in supply and demand, and current and future skills gaps.
- Kickstart the process of setting up a Skills Advisory Panel (if not already present) or equivalent arrangement, in line with the Government's advice.¹⁹

Skills analysis – Skills Advisory Panels

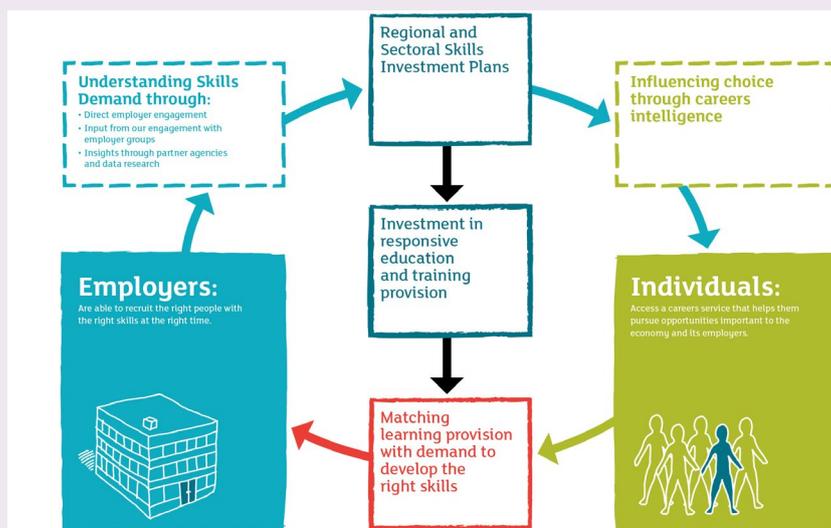
The research for this project indicated that data analysis around local skills supply and demand was key to developing appropriate strategies. Primarily this was focused on the important task of ensuring that current (and projected) supply met demand, but there was less focus on using analysis as a basis for stimulating demand for skills. LEPs faced a number of challenges in matching supply and demand. These included:

- limited resources to conduct analysis (though this varied)
- lack of access to appropriate datasets
- difficulties in engaging employers with demand analysis and with the implications of projected skills mismatches.

The current pilot of the Skills Advisory Panel by the DfE offers a possible solution to local skills analysis challenges. Those LEPs in the study who were involved in the pilot were relatively positive about it, though retained a concern that national methodologies may not be flexible enough to capture and address local circumstances.

Scotland has introduced a similar approach: Regional Skills Assessments (RSAs). It is interesting that they have shifted their focus primarily on to skills demand analysis, as part of a five-step model towards skills alignment – the first step of which is a skills demand assessment.

The model can be viewed here:



Source: Skills Development Scotland. Available at:

www.skillsdevelopmentscotland.co.uk/what-we-do/skills-planning/

Examples of the data analysis can be found here:

www.skillsdevelopmentscotland.co.uk/what-we-do/skills-planning/regional-skills-assessments/

3 Review approach to skills supply

- Review the extent to which the skills supply from the 'pipeline' from education is complemented by in-work skills development and progression.
- How do the LEP and partner bodies work with organisations and other stakeholders to support staff development, succession planning, adult education and lifelong learning?
- How can the LEP work with employers and other stakeholders to ensure that skills supply meets future demand? For example, to what extent are employers involved in curriculum design?
- What can be done by the LEP (and/or partners) to support business to focus on in-work progression as a source of skills supply?

Enhancing in-work progression

Improving the skills base in the local economy (and also reducing poverty and improving life chances) depends not only on enabling entry to the labour market, but ensuring that those in low-paid/low-skill jobs are able to progress to higher-skilled work. A review of evidence by the Joseph Rowntree Foundation in 2016 found relatively few local policy initiatives that focused on improving in-work progression. Evidence suggested that effective policies needed to focus on both individual (motivations, awareness, capabilities) and employer-based initiatives (training, work quality). Sector-based initiatives were identified as a way forward. The study suggests that a three-pronged approach should be considered*:

- careers information, advice and guidance to support low-paid workers to progress
- business support services to encourage and support employers to improve working practices and create routes for progression
- support for in-work progression which focuses on employers and individuals together, with an emphasis on training in the workplace that is linked to progression opportunities (a 'dual customer' approach).

Partnership approaches may be effective. In the United States, Restaurant Opportunities Centres United seeks to drive up employment standards in the hospitality sector. They combine advocacy for employees with work with groups of employers to provide formal progression routes across the sector, promotion and support for good employment practices, and work with customers to put 'upward pressure' on employment standards.

*These recommendations were for the Leeds City Region, but the authors note their general applicability when tailored appropriately to local circumstances. For further information see

<https://rocunited.org/our-work/>

4 Review approach to influencing skills demand

- What can the LEP (or partners) do to influence skills demand – for example, encouraging and supporting the creation of well-designed jobs that create secure and fairly paid work, offer skill development and progression opportunities?
- What can be done to improve skills utilisation locally and to reduce under- and overskilling?
- What role do human resource management support/advice systems (for example as a part of business support services) play in this? Do they offer specialist support? How

accessible is it to SMEs? How does it engage hard-to-reach/low-productivity firms? Does support go beyond provision of leadership/management training and help with job design, progression and retention?

Driving productivity through creating better jobs – *Innovating Works: Improving work and improving workplaces*

Innovating Works is a consortium working in Scotland to establish and communicate what works in workplace innovation. They regard the development of good jobs as a cornerstone of strategies to develop innovation in the economy. They observe from their research evidence that not only does good work support the drive to reduce in-work and lifelong poverty in local economies, and improve health and well-being, but it brings a range of business benefits, for example:

- better performance, greater flexibility and willingness to embrace change amongst staff
- recruitment and retention benefits
- better utilisation of skills through improved job design
- better workplace relations.

What are the characteristics of good jobs that drive innovation? The Innovating Works consortium identified three main factors:

- task factors – opportunities to use skills, use discretion, to develop capability
- contractual factors – security, appropriate flexibility, work–life balance, pay and benefits, opportunities for progression
- workplace factors – fairness, trust, opportunity to have a say and influence practice.

Innovating Works worked with a range of SMEs in Scotland to identify and promote good practice. Their case studies include numerous examples of how better jobs and employment practice improved skills utilisation to drive innovation and performance. Here are some key drivers together with illustrative examples:

- *stimulating reflexive learning* – workplace academies, formal development pathways, employees pitching for learning resources, learning across supply chains
- *idea-sharing and problem-solving* – online systems for sharing ideas, problem-solving teams, incentivised suggestion schemes
- *voice and involvement* – involving employees in work design, configuring space to encourage knowledge-sharing, providing employees with a stake in the company. Of course there were challenges identified in all the case study companies, around resource limitations, problems in scaling up initiatives, finding time to devote to learning and innovation amidst day-to-day pressures, and being able to access appropriate external support. However, the research and case studies from Innovating Works provide some valuable practical examples of how better work can drive innovation and productivity, and the sorts of interventions local stakeholders (for example LEPs) could seek to foster, and support they might seek to provide.

For further information, see: Workplace innovation in small and medium-sized enterprises in Scotland. *Innovating Works: Improving Work and Workplaces*. March 2015. Available at: <https://cloud.3dissue.com/1957/2626/5582/innovatingworks/index.html>

Local employment charters

Employment charters are initiatives that seek to identify, recognise and promote better employment practice in local economies. There is increasing interest in their adoption – they have been established, for example, in Croydon and Birmingham, and are under consideration/development by a number of combined authorities. The aims of charters are typically to improve the experience of work for those in the local area and to support the drive to improved productivity through better development and utilisation of skills. They can have the additional function of creating a dialogue around good employment practice, networks to share and support good employment practice, and access to practical employment support.

Charters are voluntary and seek to engage employers through recognition (membership, kite-marks) and in some cases incentives, for example access to procurement, reduced business rates, or enhanced access to support/advisory services. Typically they ask employers to commit to a range of standards, mostly around terms and conditions of employment and investment in staff – for example in relation to:

- pay (which might be a commitment to pay the Living Wage)
- flexibility (for employees, and ‘fair’ contracts, for example in relation to zero-hours contracts)
- staff development and progression
- engagement and voice
- fairness (for example equality/diversity policy and practice).

There may be a requirement for broader commitments to the local labour market, for example recruiting locally, providing placements for students; and sometimes non-employment-related commitments in relation to environmental standards, engaging with the supply chain, and so on.

There are concerns around charters that they may primarily serve to recognise existing good employment practice, and accordingly not do enough to drive up standards or to engage those whose practices are most in need of improvement. It is also true that their long-term impact on skills development, productivity and the experience of employment is yet to be evaluated. Even without this, it is clear that on their own, as voluntary initiatives, they are unlikely to provide comprehensive solutions to entrenched local labour market issues. However, they have the potential to provide impetus to, and a framework for, efforts to improve skills development and utilisation, and improve skills demand, through setting and communicating expectations, developing networks, and providing and promoting access to support.

For further information see *Good Jobs in Greater Manchester: The role of employment charters*. Briefing Paper, 2 April 2017. Inclusive Growth Analysis Unit. <http://hummedia.manchester.ac.uk/institutes/mui/igau/briefings/IGAU-Briefing-2-Employment-Charters.pdf>

People Skills

In 2015–16, JPMorgan Foundation and the CIPD piloted an HR support and advice service for SMEs in three UK locations. The support was provided by independent HR consultants, was accessed by a local partner (for example local council, chamber of commerce) and was free to users. Advice was, in most cases, provided face-to-face on the SME's premises, typically over a day or two, though the pilot funded some longer in-depth interventions. Businesses engaging with the scheme reported high levels of satisfaction with the interventions provided and increased confidence on a range of measures of business effectiveness.

Key success factors were that the advice was:

- provided by experienced HR specialists
- tailored to the needs of the business
- straightforward to access
- free to access.

Interventions were typically quite basic (for example, around contractual documentation, handling immediate staffing issues), reflecting the needs and starting point of many smaller businesses, though there were some more ambitious interventions (for example, introduction of performance management systems, staff development strategies). However, even straightforward interventions were reported as having a significant effect on businesses in freeing up time and energy for core business activities and in some cases providing a platform for more transformational HR activity. Concerns remained around the extent to which such schemes can engage with 'hard to reach' SMEs, and levels of readiness and awareness among SME owner-managers that might be a pre-requisite for engagement in the first place and of making the most of the support available. That said, the evidence was that specialist, bespoke HR support can make a significant positive difference to SMEs and be a platform for unlocking workforce potential.

For further information see *People Skills: Building ambition and HR capability in small UK firms*. (2017) CIPD/JP Morgan. Available at: www.cipd.co.uk/knowledge/strategy/hr/hr-capability-small-firms

6 Endnotes

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Issued: February 2019 Reference: 7818 © CIPD 2019