



Department
for Education



Social Science in Government

Local skills case study

Research report

March 2017

**Anne Green, Terence Hogarth, Graham Thom, Katie MacLeod, Chris Warhurst, Robert Willis and Susan Mackay –
University of Warwick Institute for
Employment Research and SQW Ltd.**

Contents

Contents	ii
List of figures and tables	iv
Acknowledgements	v
Executive Summary	vi
The Study	vi
Learning Lessons from Abroad	vii
Developing a Framework Based on Lessons from the Black Country	viii
Conclusion	x
1. Introduction	1
1.1 Context and purpose of the study	1
1.2 Aims of the study	3
1.3 Methodology	3
1.4 Structure of the report	7
2. Drawing on Experiences and Lessons from Abroad	9
2.1 Skills ecosystems	9
2.2 Experience of localism and devolution abroad	13
2.3 Lessons for England?	28
3. Development of Skills Policy in England	31
3.1 Developing a modern demand driven VET system in England	31
3.2 Skills policy developments from 2010	32
3.3 Employer Co-investment in VET	35
3.4 The Local Dimension	35
3.5 Conclusion	38
4. Developing a framework for analysing a local skills system	40
4.1 Purpose of the Framework	40
4.2 The development of the framework	41
4.3 The structure of the framework	42
4.4 Using the framework	43
4.5 Layers 1 and 2	44

4.6	Layer 3	52
4.7	Conclusion	55
5.	Going Forward: Emerging Considerations	57
5.1	Extent of local alignment with national priorities	57
5.2	The challenge of employer engagement and responsiveness to the needs of employers	58
5.3	Competition versus collaboration and the role of partnership working	59
5.4	The speed of change	59
5.5	Addressing future challenges	60
	Annex 1: Local skills ecosystem analysis framework	61
	Annex 2: Key features of skills planning and delivery and local partnership working in the Black Country	65
	Introduction to the Black Country	65
	Skills Planning and Delivery	67
	Skills Delivery	71
	Partnership working in the Black Country	77

List of figures and tables

Figure 2.1: The central role of WIBs in local partnerships	17
Figure 3.1: Skills reforms in England, 2010-2015	32
Table 3.1: Key Acts, reviews and strategies influencing the English skills system since 2010	33
Figure 4.1: Conceptual framework	41
Table 4.1: Skills in the Black Country: SWOT analysis	47

Acknowledgements

This study was conducted jointly by the University of Warwick Institute for Employment Research (IER) and SQW Ltd.

The study was jointly led by Anne Green (IER), Terence Hogarth (IER) and Graham Thom (SQW), with contributions from Katie MacLeod (SQW), Susan Mackay (SQW), Chris Warhurst (IER) and Robert Willis (SQW). Stefanie Poole (IER) supported the research, associated workshops and interview arrangements.

The research team would like to thank Vikki McAuley and her colleagues at the Department for Education for their help and support in carrying out the study.

The research team would like to thank all of the individuals in the Black Country and beyond who participated in interviews and workshop discussions as part of this project, and those who facilitated the identification of, and access to, consultees. This also includes those from overseas who shared international experiences of localism and devolution with the research team. Without their assistance the study would not have been possible.

Executive Summary

The Study

The Spending Review and Autumn Statement 2015 made clear the Government's intention to accelerate the process of ceding more responsibility for delivering a range of services to the local level. The logic is that local actors are better placed to identify local priorities. This raises the issue of how local skills systems – including further education and apprenticeship providers, schools, universities, employers, local authorities and associated agencies, Local Enterprise Partnerships and the voluntary sector – can work better.

Skills funded through the adult skills budget (i.e. funding dedicated to meeting the skill needs of those aged 19 years and over) will, over coming years, increasingly fall under the control of combined authorities. From the academic year 2016/17 grant funding for non-apprenticeship further education is being brought together under a new unified adult education budget, which will be distributed to providers through a block grant. The adult education budget brings together £1.5 billion of funding in the 2016-17 financial year, combining the previously distinct community learning, discretionary learning support and non-apprenticeship adult skills budgets. The medium-term aim is for devolution of the adult education budget to combined authorities, starting from 2018/19, as part of wider devolution deals negotiated between central government and local areas. This marks a substantial change in practice. If local areas have responsibility for meeting adult skills needs, how will they ensure that local supply can meet local demand?

Overall the study on which this report is based provides an opportunity to understand the way in which local-national and local-local collaborative working needs to develop if it is to enhance skill development in England. This entailed:

- identifying how other countries have devolved their skills and employment policy to local or regional levels;
- undertaking a local case study, that encompassed multiple local authorities - where moves to shape local skills provision to local demand were already in train – to understand how local skills devolution can be best realised. The Black Country in the West Midlands was selected as the case study;
- reflecting upon the international and local evidence to develop a framework to be used as a tool that will allow local actors to use their combined local knowledge to answer key questions about the context, drivers for change and desired outcomes to enable them to more effectively deliver local skills to meet local needs.

Learning Lessons from Abroad

Evidence was drawn from the USA, Canada, Australia, Belgium (Flanders), and Sweden. All have skill systems and models of local governance that reflect their unique historical development. But this does not preclude learning lessons from their experiences that can inform the process local areas in England are embarking upon.

Enabling effective local working is dependent upon:

- sustained and sufficient national government funding;
- sufficient local capacity and expertise being available at the local / regional level;
- the establishment of strong local partnerships involving the public sector, education and training providers and employers – with good local leadership/co-ordinators - to identify and respond to those needs;
- ensuring that local actors are accountable through the development of performance management metrics.

There is a need to overcome various hurdles, including:

- local partners lacking adequate local labour market information to plan and monitor skills delivery and achievement;
- short-term funding arrangements undermining the development of a long-term strategy;
- local partnership arrangements becoming dominated by specific stakeholders;
- governance structures being under-developed such that actors are not sufficiently held to account;
- local partnerships developing their own metrics which prevent national stakeholders having a unified overview of activity; and
- tensions between the goals of local and national policy resulting in the sub-optimal delivery of skills.

The main lesson is that structures can be readily put in place, but they take time to develop if they are to effectively meet their remit.

Developing a Framework Based on Lessons from the Black Country

The purpose of the framework is to provide local policy makers with a framework which will allow them to develop effective local provision of skills; for example in developing an Outcome Agreement. An outline is provided below with the detail of the framework, and how to use it, contained in the main body of the report. **The full framework is set out in Annex 1.** It provides a way to bring together knowledge about a local area through a systematic process so that future changes can be based on detailed understanding of the current situation and issues being faced.

The Black Country

The Black Country provides an apposite case study in that comprises multiple local authorities - Dudley, Sandwell, Walsall and Wolverhampton – with a population of 1.14 million. It is a complex urban skills market with functional economic links to the wider West Midlands labour market of which it is part - including Birmingham to the south-east. It faces the dual challenge of improving the skills of a large number of people who lack basic skills, whilst at the same time developing a skills infrastructure that is capable of serving high value, high skill sectors such as the automotive, aerospace, and health sectors.

The analytical framework

The evidence collected from interviews with a range of local economic actors in the Black Country led to the development of a framework which is described below. The framework is based on a context-mechanism-outcome (CMO) analytical framework. It stresses that any intervention can be understood only with reference to the context in which the intervention is being made (i.e. what is the nature of the problem and who is affected). The mechanism refers to the interventions put in place to tackle a particular issue. The outcomes are then the product of the context and mechanism. If the mechanisms are not sufficiently attuned to the context in which they are being introduced then the effectiveness, and efficiency, of the intervention is likely to be compromised.

Structure of the Framework

The complexity of the skills system is reflected in the framework having three layers indicating successive depth, alongside the three themes (context-mechanism-outcome). The three themes are represented by columns in the framework (as illustrated in the diagram below).

Level of detail	CMO components		
	Context	Mechanisms	Outcomes
Level 1	National policy regarding skills and the particular needs of the local economy	Drivers of change at national and local level	How to measure outcomes, potential risk, and identification of mitigation strategies
Level 2	Identification of the specific goals of policy at national and local level	The specific structures, policies and programmes that are in place to meet each of the specific goals of policy	Specification of the goals to be achieved, identification of the potential risks attached to meeting those goals, and how each risk might be mitigated
Level 3	Use of metrics to specify what is to be achieved	Allocation of resources to specific activities	Measurement of outcomes

The first column of the framework recognises that **context** is an important component and needs to be understood both in terms of:

- national policy and funding; and
- the nature of the local economy.

The middle column of the framework sets out the drivers of change, describing the **mechanisms** whereby different components of the system could be encouraged to change and the challenges and uncertainties that could arise.

The final column on **outcomes** looks at what a successfully improved skills system might look like, and what evidence and metrics could be available to demonstrate this. It also seeks to identify what are the risks which arise from pursuit of these outcomes and asks how such risks can be mitigated.

The depth is provided by a series of three layers:

- **Layer 1: Introduces** a high level framework structured around the CMO approach to understanding the skills situation in a local area.

- **Layer 2: Sets out the analysis framework.** It populates the framework with a considerable amount of detail in each box. In particular, it outlines key local and national aspirations, and details a series of questions for stakeholders to consider in testing how ready the local area is to meet these aspirations.
- **Layer 3: Moves from analysis towards action.** Takes the framework one step further. It sets out further questions which could be used to prompt further understanding about some of the issues identified in Layer 2 and, in doing so, it helps identify those actions which could be taken to improve the local situation and so skills provision at local level.

Conclusion

In developing the framework and undertaking the research in the Black Country and reviewing international experience, a series of generic issues were identified which are likely to exist in most contexts. These issues pick up on several of the points in the framework, and are described to provide further reflection on possible challenges and how these might be addressed:

- the extent of alignment between local and national priorities may be variable – leading to local-national tensions;
- the partial and selective nature of devolution – especially in inter-connected policy domains - may mean that local partners feel constrained in what they can change. This means that they may need to amend local plans to reflect these constraints and/or devote any local resources to address the constraints identified;
- the issue of how much autonomy there should be in developing locally-specific metrics to reflect local priorities vis-à-vis developing a (minimum) national data set to enable aggregation of experience across local areas to provide a national picture;
- training providers and local partners need detailed information on employers' skills requirements if they are to be responsive to employers' needs – and there is a trade-off between specific and generic requirements;
- since large employers may find it easier to articulate their needs and source appropriate training provision, a key challenge for local partners is to develop mechanisms to draw out and find solutions to the needs of smaller firms;
- a desire for organisational survival and growth can lead training providers to pursue their own self-interest and act in a competitive rather than a collaborative fashion, leading to a sub-optimal mix of training locally characterised by duplication and gaps in provision;

- the exercise of local power and influence is crucial for constructive collaboration locally – at the time of this research the majority of activity in the skills system lies beyond the direct financial ambit of the LEP
- on the one hand it can be difficult for training providers to implement change quickly, but on the other, although the need for change may be important it might not seem urgent; hence there is a role for providers to be supported in looking away from immediate priorities and taking a longer-term view.
- in moving to a more locally-led skills system, there is a need to build in monitoring mechanisms and horizontal accountability governance arrangements.

International experience suggests that the divisions between the national and local scales in decision-making will continue to change over time. It is hoped that the framework presented in this report will help local areas in understanding their local circumstances so that they take action accordingly.

1. Introduction

This chapter sets out the scope and purpose of the Local Skills Case Study. It outlines the context for the research and the specific aims of the study, its methodology, and the structure of the report.

1.1 Context and purpose of the study

There is a large body of evidence that demonstrates an association between skills development and organisational performance and, in aggregate, between skills and national economic performance. It stands to reason, therefore, that skills can differentiate economic performance at the local level. For both national and local policy makers the key issue has been, and continues to be, that of finding levers that will simultaneously raise the demand for skills from employers and learners, whilst being able to ensure that appropriate skills supply is in place to avoid the emergence of skill mismatches.

There has been a long-standing concern – succinctly captured in the 2006 Leitch Review¹ - that skills demand in the UK has been, compared with many competitor countries, too low and too supply-side oriented. Following Leitch, training providers were to be more responsive to the demand for skills articulated principally by employers. By providing labour market information (LMI) about the returns associated with various qualifications and courses, the consumers of vocational education and training (VET) – employers and learners – would be much better placed to make informed decisions about their VET investments. The returns to any VET investment could be increased by giving employers a role in determining the content of training, thereby ensuring that it was responsive to demand. But if employers – and learners – were beneficiaries of VET insofar as they obtained a private return, then there was a case for saying they should bear some of the cost of any investment. And if employers (and learners) were bearing some of the cost of the investment, rather than it being fully met by the State, then they would be more selective in their investments to ensure their investments obtained a return. Thereby the role of the demand side is further reinforced. This all culminated in recent policy developments related to: (a) employer routed funding; (b) the Apprenticeship Levy; and (c) the provision of training loans to some groups of learners.

There remains an issue relating to the capacity of training providers to both efficiently and effectively deliver VET. The State still has a major role to play in the funding, organisation, and regulation of VET delivered to both young people and adults. Without training providers capable of delivering VET at a price and quality that optimises its provision, and

¹ Leitch Review of Skills (2006) *Prosperity for all in the global economy – world class skills*. Norwich: HMSO.

then there is every danger that, over the medium- to long-term, potential demand will fall away. Employers, for instance, faced with skill shortages will find some alternative to training to address them, such as moving out of some markets or relocating work elsewhere. This is where the recent devolution policy developments have a potentially important role. Most employers and nearly all learners make their VET choices within local labour markets (however defined); i.e. they are looking for local training providers to meet their needs. By placing more responsibility with local agencies – be it Combined Authorities, Local Enterprise Partnerships (LEPs), or some other institution – VET provision can be more effectively and efficiently organised to meet local demand.

In the period since 2010 Government has sought to make adult skills provision more responsive to the needs of local economies by ceding some aspects of skills funding via City Deals, and initiating area reviews. Each area review assesses the economic and educational needs of the area, and the implications for post-16 education and training provision, including school sixth-forms, sixth-form colleges, further education colleges, and independent providers.² Depending upon the results of the area reviews, there may be consolidation of training provision at local/sub-regional level.

If one looks back to the 1970s, then one can observe a process that has seen the State take increasing responsibility, in the face of various market failures, for the provision of initial VET. Arguably, over the 1980s and 1990s, the emphasis of policy was on creating an external market for VET and ensuring that it contained a sufficient number of participants (providers and learners). From the late 1990s onwards, the emphasis was, arguably, more on ensuring that the entire VET system was sufficiently demand-side oriented. In the second half of the 2010s, the emphasis appears to be very much oriented towards creating a local market for skills where providers are incentivised to meet learner and employer demand (e.g. via employer routed funding). At the same time, employers and learners will have more autonomy and responsibility for ensuring their skill needs are met.

The foregoing is, of course, a gross over-simplification of the recent history of the skills system, but it serves to demonstrate the importance of localism and devolution in ensuring that the demand for, and supply of, VET is optimised. It is against this backdrop that the current study has been conducted.

² HM Government (2015) *Reviewing Post-16 Education and Training Institutions*. London: Department for Business, Innovation and Skills.

1.2 Aims of the study

The aims of the study are threefold.

- First, to review and synthesise selected international evidence on the balance between the national and local scales in responsibility for the formulation and delivery of skills and employment policy and what interventions/ policies have been devolved where, and following on from this, to assess the facilitators of, barriers to, devolution to the local scale.
- Second, to conduct a local case study (in this instance the Black Country) providing insights into how a local skills market operates. Specifically the objectives are to understand whether and how provision in the local area meets labour market requirements and supplies the skills needed for local economic development; to gain insights into what works well and why, and what policy levers are being used; to identify constraints (whether relating to local and/ or national policy) to effective local working; and to identify what is needed to overcome such constraints.
- Third, to construct a framework – suitable for use in other local areas – that can be used to understand the ‘skills system’ in a local area and help inform what needs to be addressed and what actions can be taken in order to meet a local area’s skills needs and local economic growth objectives.

In aggregate, the study provides an opportunity to understand the way in which local-national and local-local collaborative working needs to develop if it is to enhance skill development in England.

1.3 Methodology

The research included an international element, a local skills case study and design and testing of a framework for analysis of a local skills system.

International element

The international element involved a selective review of international evidence on local employment and skills systems and an International Workshop with presentations from policy makers and analysts from selected countries outside the UK designed to understand how skills policy has been devolved from national to regional and local/municipal levels. The fact that different countries have different institutional structures (e.g. some are more centralised and some are federal) has implications for the design and delivery of skills policy at local level.

The aim of the review and the International Workshop was to gain insights about what needs to be in place if national, regional, and local / municipal institutions are to work

together effectively and efficiently to deliver the skills that local economies need, and so shed light on what works well and what works less well. Questions of particular interest from an international perspective include:

- What has been devolved (budgets, strategic responsibility, delivery, etc.) and to what geographical level (i.e. local/ regional/ other level)?
- What was the rationale for devolving aspects of the skills agenda/ skills interventions to the local/ (other sub-national) level?
- What inter-governmental / agency collaboration at the national and local level was involved and how successful was this? Key issues here included identifying the issues that needed to be resolved in order to bring about effective working relationships locally and between sub-national and national levels; whether any policy gaps emerged in the transfer of responsibilities from national to local levels (perhaps because national priorities are different to local / national ones); and how national-local relationships bedded down over time.
- What is the evidence in relation to the more effective delivery of skills policy relating to either national or local objectives in the context of localism?
- What are the implications of localism for data collection? Does localism mean that there is less data/ a lack of comparable data available at national level?

Local skills case study

Selection of local case study area and preliminary review

For the local skills case study, the first task was to decide what area should be the focus of the study. Size and geographical location were amongst the key factors considered: the desire was to cover a complex urban skills market in a non-peripheral location, in order to ensure a market with significant scale and one where in-flows and out-flows across borders came into play. There was also a desire that some major investments / changes were underway, in order to understand the responsiveness of the skills system when challenged. It was decided to focus on the Black Country Black Country LEP area (encompassing the boroughs of Dudley, Sandwell, Walsall and Wolverhampton) in the West Midlands region of England as the local study area for three key reasons:

- First, it is a complex urban skills market with functional economic links across the LEP boundary to the wider West Midlands labour market of which it is part - including Birmingham to the south-east.
- Secondly, it has a variety of skills providers – including private training providers, six FE Colleges (Birmingham Met College [Stourbridge campus], Dudley, Halesowen,

Sandwell, Walsall, and Wolverhampton), and a University (the University of Wolverhampton).

- Thirdly, historically manufacturing has been an important sector in the Black Country (the Dudley, Tipton, Walsall, West Bromwich and Brierley Hill area was the ‘cradle of the Industrial Revolution’ and then in the late 19th century Wolverhampton developed as a major industrial area, along with Birmingham and Coventry in the wider West Midlands). The manufacturing sector saw substantial contraction in employment in the late 1970s and 1980s - leaving the area with a legacy of higher unemployment than the national average and lower than average skills, yet currently the local area is facing the challenge of meeting skills demand in the high value manufacturing sector – notably in the nationally important strategic sectors of automotive and aerospace.

Preliminary desk research about the Black Country, including governance arrangements, key networks/ partnership structures, economic development and skills issues and a review of strategy documents was undertaken.

First phase interviews

A first phase of semi-structured face-to-face and phone interviews were conducted with 24 local stakeholders, including representatives of local authorities, the LEP, employers, education and training providers, the public employment service, the National Careers Service and the voluntary sector, in the period from March to May 2015, to ascertain:

- key features of the local economic context;
- experience of engaging in the local skills system;
- how skills planning and delivery works and associated policy levers;
- the nature of partnership working – both formal and informal;
- how the various players in the skills system interact to support learners and employers in the particular context of the Black Country.

Second phase interviews

A second phase of interviews was conducted in the period from late July to October 2015. These interviews provided insights into how far training providers were trying to / can act as an agent of change to encourage greater demand for training from businesses - especially around Apprenticeships. They were designed to yield understanding of how activity was / was not coordinated at the local level; and what stopped / facilitated training providers in better aligning their activities with changing funding priorities, and between private training providers, further education and higher education. The interviews also

investigated how demand for training can be stimulated. Interviews were conducted with 12 local stakeholders (predominantly training providers), focusing particularly on adaptation to changes in funding for skills provision, with topics covered including:

- strategic planning;
- recent and current financial status and trajectory;
- managing changes in funding;
- changes in the curriculum offer;
- Apprenticeship provision;
- the impact of loans.

Overview

In summary, together these different elements of the local skills case study provided an analysis of key features of the local economic context, insights into the behaviour of key actors in the local skills system (and the facilitators and barriers shaping behaviour) and the setting of skills plans and delivery worked and associated policy levers, the nature of partnership working, and the outcomes of the actions taken (whether intended or unintended).

A local skills system analysis framework

Devising a Framework

On the basis of the findings from the Black Country local skills study, a Framework was constructed, adopting the context-mechanism-output (CMO) approach,³ suitable for use by local skills stakeholders and their partners in related policy domains in the Black Country and other areas to understand the local 'skills system' in a local area and help inform what issues need to be addressed and what actions can be taken in order to meet a local area's skills needs and local economic growth objectives.

Testing and validating the Framework

The final stage of the research involved sharing and testing the findings from the research at a Workshop involving 20 attendees from the research team, the Department and local stakeholders from the Black Country. The aims of the Workshop were:

³ Pawson R. and Tilley N. (1997) *Realistic Evaluation*. London: Sage.

- To explore the findings from the Black Country study – with a particular emphasis on key challenges facing local stakeholders, existing local partnership working, and how local and national priorities interact.
- To test and refine the generic Framework developed drawing on experience from the Black Country study but designed to help other areas map their local skills systems.

1.4 Structure of the report

Chapter 2 presents findings from the international element of the research. It sets out the concept of a 'local skills ecosystem' and outlines key features of local skills systems in selected countries and the rationale design and delivery and skills and employment policy at national and sub-national levels. Particular emphasis is placed on the rationale for devolution to the local level, and associated challenges and opportunities facing policy makers at national and local levels. The chapter concludes with a synthesis of key learning points for skills policy in England.

Chapter 3 outlines the development of skills policy in England. A recent historical overview is provided of key features of change, with a particular focus on changing responsibilities for different actors within the skills system at national and sub-national levels. Developments occurring during the course of the Local Skills Study are outlined, including reductions in the Adult Skills Budget, area reviews of post-16 education and training institutions, policy announcements relating to the expansion of apprenticeships and the introduction of an Apprenticeship Levy, and work towards the establishment of Combined Authorities.

Chapter 4 forms the core of the report and sets out the Framework developed in the Black Country study. It introduces and sets out key findings from the Black Country Local Skills Case Study, starting with a description of the internal geography of the Black Country, the main features of its sectoral, occupational and skills characteristics, and governance issue and partnership working, in order to provide the context for examples from the Black Country contained in the 'Framework' presented in this Chapter. The purpose and structure of the Framework is described in detail, with reference to three layers:

- Layer 1: a high level overview;
- Layer 2: details of local and national aspirations and readiness to meet these aspirations;
- Layer 3: understanding key local issues and possible actions to address them.

Chapter 5 highlights key local skills issues and lessons of generic relevance beyond the Black Country. Topics covered include the extent of local alignment with national priorities, the challenge of employer engagement and responsiveness to the needs of employers, competition versus collaboration and the role of partnership working, and the speed of change. The chapter concludes by outlining key future challenges and risks of localism and devolution in England.

2. Drawing on Experiences and Lessons from Abroad

This chapter introduces the ‘skills ecosystem’ concept and then highlights international experience of local employment and skills systems in selected countries. It concludes by setting out generic lessons for localism and devolution of skills in the English context from the international experience outlined.

2.1 Skills ecosystems

Introduction to the concept

Drawing on the successful Californian experience of economic activity producing a large quantity of high quality jobs in technology intensive industries which indirectly supported a vast range of jobs in other sectors, Finegold (1999)⁴, coined the term ‘skills ecosystem’ to describe the actors and institutions, and the complex relationships between them, that seemed to successfully deliver local skill needs. At its most basic, a skills ecosystem is akin to a biological system, with all separate parts connected, interdependent and working together in order to function well as a whole. The ‘skills ecosystem’ is a dynamic concept that recognises the intersection of low, intermediate and high skill segments in a system, and their continual inter-development.

Finegold (1999)⁵ identified four requirements of high-skill ecosystems such as those in California:

- a catalyst for their start;
- continual nourishment;
- a supportive host environment;
- a high degree of interdependence amongst the stakeholders and partners in the system.

Box 2.1 sets out these requirements in the Californian case.

⁴ Finegold D. (1999) ‘Creating self-sustaining high-skill ecosystems’, *Oxford Review of Economic Policy* 15(1), 60-81.

⁵ Finegold D. (1999) *op cit.*

Box 2.1 Californian experience of high skill ecosystems

The catalysts were military spending on R&D, economic downturn and a surfeit of engineers encouraged to set up their own enterprises by Universities. As ‘anchor institutions’ universities provide further nourishment with their research funding and by attracting talent, generating spin-off start-up companies locally, facilitating knowledge-sharing and developing alumni networks. Additional nourishment was provided by the venture capital industry and a first generation of start-up entrepreneurs becoming angels to subsequent generations. The supportive environment included physical elements, a regulatory framework facilitating and supporting risk-taking; and cultural facilities enhancing the attractiveness of local areas as places to live and work.

Hence it is the interdependence of firms and institutions that makes a skill ecosystem, rather than an agglomeration of firms. This interdependence is horizontal, across firms, and vertical, along the value chain. Crucially this interdependence fosters reputational trust and facilitates co-operation and knowledge exchange amongst stakeholders and partners, in turn furthered by the high rate of labour mobility amongst firms.

When working effectively, such ecosystems are self-sustaining and evolve and grow over time and with changing local circumstances, indicating that they have “a very strong adaptive capacity” (Finegold, 1999:74).⁶

Learning from experience: key features of mature skills ecosystems

The skills ecosystem concept has since gained traction, and some governments elsewhere have ‘prescribed’ the development of local skills ecosystems in an attempt to create the right conditions to meet their local skill needs. In practice what exists at local / regional level might be rather different from the Californian experience, and moreover different local areas may be characterised by different arrangements at different times. A well-functioning skills ecosystem is likely to be characterised by formal relationships between actors in the system, lubricated with supportive informal working. This contrasts with circumstances in which working arrangements between skills and related actors are more *ad hoc* and there is a fragmented approach amongst skills and related actors to working together.

While sometimes, as in the Californian case, skill ecosystems can emerge organically; in other cases, governments have attempted to emulate them via specific policy initiatives – either formally or by at least borrow some thinking from the local skills ecosystem concept in responding to local skill needs. For instance learning from the experience of Australian governmental skills ecosystem pilots (see section 2.2), the New South Wales Department

⁶ Finegold D. (1999) *op cit.*

of Education and Training (2008)⁷ identified a number of additional facets required of skill ecosystems:

- they address both labour market and workplace issues and challenges;
- they are based on evidence of what works, why and how;
- stakeholders recognise and are committed to a broad agenda of individual, business and local economic interests;
- interventions are designed for whole regions or industries, not just individual firms;
- there is an emphasis on system-wide capacity-building to plan and manage skill.

More recently, drawing on examples of formal and informal, organic and intentional skills ecosystem developments from the USA, Australia and Scotland, research highlighted the importance of the following four features in understanding local skills systems:⁸

- the development of skills;
- the supply of skills;
- the demand for skills;
- the deployment of skills (i.e. skill utilisation).

All four of the above components are interrelated and are played out within a system of institutions and actors. Within this system these actors and institutions have different roles, interests, needs and resources. Crucially, they are interconnected and interact and, in doing so, affect the nature and dynamics of the system. Hence the conclusion that a skill ecosystem is “a dynamic network of interdependent institutions and actors which through their various interactions, roles, interests and resources is in a constant process of change – evolving in ways that cannot always be predicted – but which shape the development, supply, demand and deployment of skills in any given industry of regions”.⁹

Implications for policy

From a policy perspective key issues emphasised in this simplified depiction of a mature skills ecosystem concern the inter-relationship between supply and demand, what skills

⁷ New South Wales Department of Education and Training (2008) *A guide to the skill ecosystem approach to workforce development*, Sydney: NSW Department of Education and Training.

⁸ Anderson P. and Warhurst C. (2012) ‘Lost In Translation: Skills policy and the shift to skill ecosystems’ in Dolphin T. and Nash D. (eds) *Complex New World: Translating new economic thinking into public policy*. London: IPPR, 109-120.

⁹ Anderson P. and Warhurst C. (2012) *op cit*.

are being used and how they are being developed – so highlighting the importance of training providers, employers and individuals. Use of the skills ecosystem concept also enables questions to be asked about what measures or interventions best nourish these ecosystems and how policy can be adapted as these ecosystems evolve.

Unlike biological systems, the functioning of skill ecosystems is not neutral or self-evident but rests on various and often differing interests.¹⁰ In research on innovation ecosystems it has been noted that for stakeholders to act in concert, what is needed is concept agreement, systemic tools, project funding and political (government) and employers' and trade unions' support.¹¹ It must also involve a co-ordinated formal and informal network of colleges and universities, research institutes, consultancies, firms, labour market organisations and policy bodies. The same may be expected to apply for skills ecosystems. Alignment of interests is unlikely to happen spontaneously; rather it requires deliberate encouragement to decide who does what, when, how and why.

Skills policy built on skill ecosystem thinking is complex and dynamic – but so too are local economies. The skills ecosystem approach reflects that reality and seeks to align policy with practice. For skills ecosystems to work effectively the evidence suggests that:

- a broad range of stakeholders and partners need to be involved;
- employer engagement has to be achieved;
- with formal, intentional initiatives, codification of policy aims and agreement about actors' roles, responsibilities and resource inputs is important;
- opportunities for frequent informal and formal co-operation, exchange and networking need to exist;
- knowledgeable and entrepreneurial intermediaries are needed to engage and coordinate the stakeholders and partners.

Whether and how these features accord with local skills systems, skills development policy and employment policy in selected countries, and their experiences of localism and devolution is the subject of the remainder of this chapter.

¹⁰ Buchanan, J., Anderson, P. and Power, G. (2015 forthcoming) 'Skill Ecosystems' in Buchanan J., Finegold D., Mayhew K. and Warhurst C. (Eds.) *Oxford Handbook of Skills and Training*, Oxford: Oxford University Press.

¹¹ Ramstad, E. (2009) 'Expanding innovation system and policy: an organisational perspective', *Policy Studies*, 30(5), 533-553.

2.2 Experience of localism and devolution abroad

Introduction

This section sets out the experience of localism and devolution in selected countries beyond England: the USA, Canada, Australia, Belgium (Flanders) and Sweden. These examples were selected to illustrate a range of different institutional structures and experiences. The review presented is not intended to be exhaustive, but rather sets out key developments in some other parts of the world that might be of interest in the context of moves to greater localism and devolution in England. It draws on a review of the literature – especially recent policy documents and reports and OECD reviews of employment and skills strategies in selected countries,¹² together with discussions from an international workshop in February 2015 designed to understand how skills policy has been devolved from national to regional and local/municipal levels.

In reviewing international evidence it is important to be aware that different countries have different institutional structures (e.g. some are more centralised and some are federal, etc.). This has implications for: what interventions and policies have been devolved – and the rationale for such devolution, the actors / partnerships involved and their responsibilities, and the specific nature of enablers and barriers faced. There is, however, no simple binary division between ‘centralism’ and ‘localism’. Rather, it is helpful to consider a continuum,¹³ from centralism (at level 1) to full devolution of budgets and other responsibilities to local level (at level 7) – as set out in Box 2.2.

Given the direction of skills policy in England, there is particular interest in developments at levels ‘5’-‘7’.

One issue of particular interest associated with devolution of responsibilities for strategy and delivery to the local level is whether devolution results in collection and recording of different data/indicators in different local areas, and hence loss of data on a uniform basis at national level to provide a national overview. The possibility of a deterioration in, or lack of, data coverage and quality, with aggregation of local information providing an incomplete national picture, might be expected to be a matter of particular concern in countries with a strong tradition of centralisation, whereas elsewhere there might be less unease about this matter.

¹² http://www.oecd-ilibrary.org/employment/oecd-reviews-on-local-job-creation_23112336

¹³ Atkinson, I. (2010) ‘Governance structures of the devolved delivery of employment outcomes’, *DWP Research Report 678*.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/214449/rrep678.pdf

Box 2.2 Continuum from centralism to full devolution to local level	
1	Centralised delivery.
2	Providing greater local discretion – permitting additional locally initiated activity within a centralised framework to meet local needs.
3	Initiatives designed and managed nationally but implemented but with freedom to build local delivery capacity for local need.
4	National initiatives owned locally – programmes conceived, designed and funded nationally, but managed and implemented locally.
5	Recognition, promotion and enabling of local partnerships – local partners are able to set their own objectives, without micro-management from national level.
6	Locally-initiated activity – local areas taking their own initiative in undertaking activity aimed at influencing local outcomes, often in partnership with others.
7	Full devolution of responsibilities to local level – with full budgetary responsibilities.

USA

Introduction

The USA has a long history of local control of skills interventions to the sub-national level,¹⁴ with the Federal Government, State Governments and local entities providing programmes to improve the supply of qualified workers onto the labour market and the job readiness of job seekers and existing employees.

The current emphasis on a sub-national approach followed on from a centralised national workforce policy during the Great Depression and World War II, with the 1933 Wagner-Peyser Act establishing a nationwide system of public employment offices known as the Employment Service to administer public employment projects. In the post World War II period responsibility for strategic decision-making was devolved to local levels.

¹⁴ Eberts R.W. (2015) 'Examples and lessons from the USA – Sacramento and Michigan', Presentation to 'Lessons and Experience of Devolution of Skills Interventions' Workshop, 26 February, London.

The decentralised approach to workforce development has been identified as representing international best practice.¹⁵ The rationale for greater local control was to enhance services to better meet local needs and to increase the potential to co-ordinate and leverage local resources. In the devolved system (outlined below) service provision has been characterised by a mix of state and local responsibilities with federal oversight and funding, but there have been deficiencies resulting from fragmented and overlapping programmes.

The current devolved system

The US Federal Government (via the Employment and Training Administration of the Department of Labor [DoL]) provides funding and oversight of the public workforce system. In 1998 the Workforce Investment Act (WIA) was enacted to consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programmes. In 2014 WIA was superseded by the the Workforce Innovation and Opportunity Act (WIOA)¹⁶ which brings together, in strategic co-ordination, the core programmes of Federal investment in skills development, so as to help job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with the skilled workers they need to compete in the global economy.

Under WIA and WIOA the workforce skills development system is a partnership between federal, state and local government. States develop strategic plans that have to be approved by the DoL, which then provides grant funding. Most funding is then passed onto local workforce investment areas (LWIAs),¹⁷ governed by local workforce investment boards (WIBs), which develop and submit local area plans to state governors and which align with federal requirements and state aspirations. Generally across the different levels of government, these plans – designed to support the needs of local employers and workers - must include information on:

- Current and projected employment opportunities at that level.
- The skills necessary to lever these opportunities.
- The skill and economic needs of the governmental level.
- The type and availability of existing workforce investment activities at that level.

¹⁵ OECD (2013) *Local Job Creation: How Employment and Training Agencies Can Help - United States*. Paris: OECD

¹⁶ <http://www.doleta.gov/wioa/>

¹⁷ There are nearly 600 of these across the USA. They vary markedly in size, but on average serve around 260 thousand labour force participants within a local labour market.

Once local plans are approved, the WIBs administer labour exchange and job training programme local area plans. Delivery is via partners contracted by them through One-Stop Career Centres. Contracted service providers include public educational institutions, proprietary training organisations and social service organisations. More generally, community colleges and technical colleges and play a particularly important role in delivering training, tailoring courses to meet the needs of students (including those in employment) and local employers, along with private sector training providers.

WIBs are the focal point for vertical (to federal government) and horizontal (to workforce intermediary partners and local social service organisations) relationships within the workforce development system. The local boards governing WIBs are comprised predominantly of private sector business leaders, alongside civic leaders, and representatives of social services, educational organisations and labour groups, who help design the local workforce strategy and oversee its implementation and administration. WIBs are central to local partnership working, serving as convenors and facilitators of formal and informal relationships among local economic development organisations and educational institutions. The local WIB hires staff to administer programmes. They are not agencies of federal or state governments, and WIB staff are not federal or state employees. Delivery of services is contracted out to government agencies, educational institutions and non-government organisations. Local staff capacity is of crucial importance for the success of the WIBs.

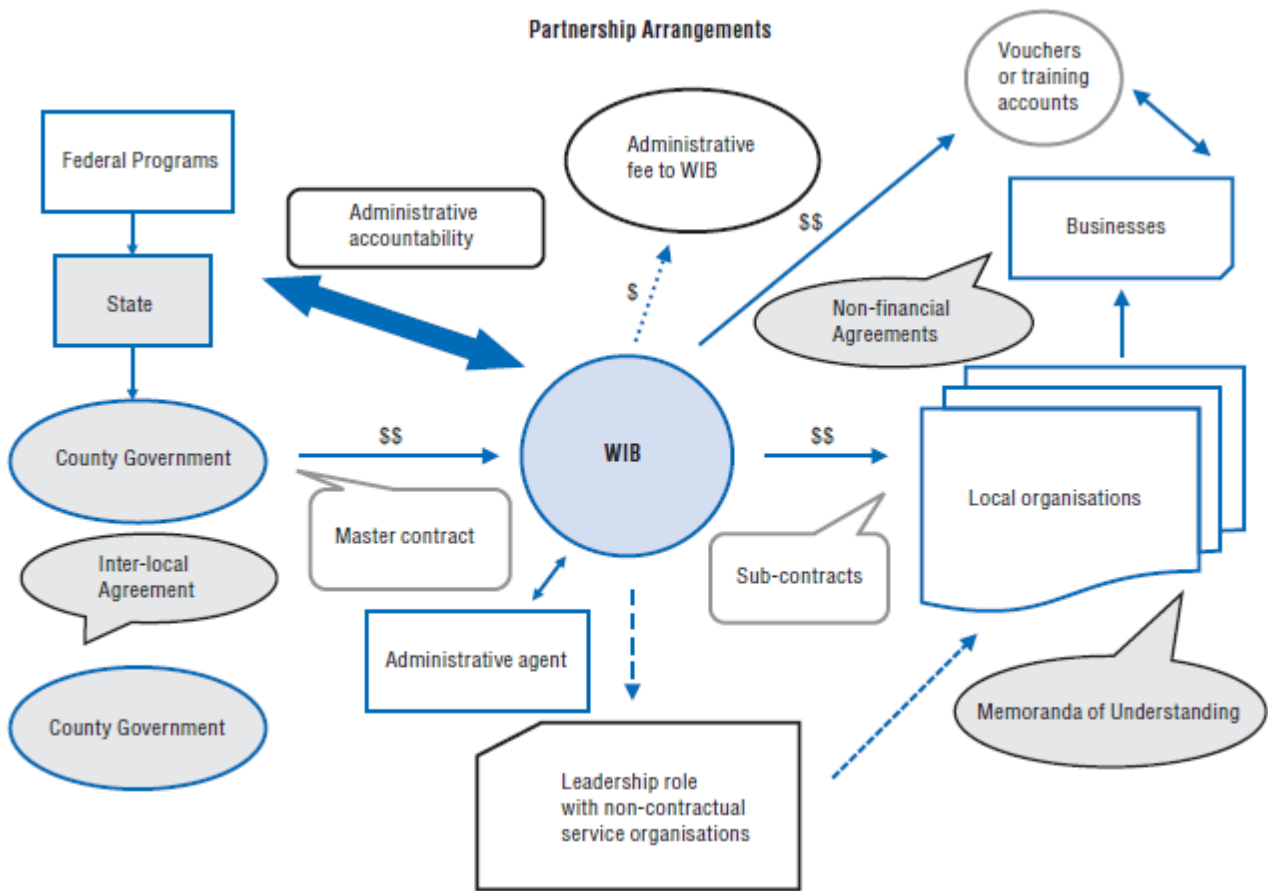
This governance structure provides WIBs with a high level of autonomy in the management of employment and training services. It is recognised that fostering collaboration amongst partners can be resource intensive and, in the case of non-contracted partners, often unfunded. The DoL has provided some funding for this purpose through its Workforce Innovation in Regional Economic Development (WIRED) initiative, but often WIBs seek private funding from charitable foundations to cover engagement costs.

In practice there is “a web of relationships” between WIBs and government and non-government entities (see Figure 2.1), with WIBs operating as “the nexus between the requirements imposed by the federal WIA system and the local consortium of intermediaries that provide employment services” (OECD, 2013: 21).¹⁸

Local WIBs can act as catalysts in bringing businesses together with the educational and training community to promote collaboration, but they vary in their organisation and effectiveness in doing so. Some have formalised working arrangements, while others work more informally.

¹⁸ OECD (2013) op. cit.

Figure 2.1: The central role of WIBs in local partnerships



Source: OECD, 2014a¹⁹

Metrics and accountability

Federal government audits WIBs using the performance targets set out in local area plans as measures. For all individuals who receive benefits or services from federally-funded programmes standardised individual outcome and transaction data are stored in the Workforce Investment Action Standardized Record Database (WISARD) as a requirement of funding. Core programmes are required to report on a set of common performance measures and must measure the effectiveness of services to employers. Under WIOA the intention is to enhance use of outcome-based performance measures with regression-adjusted targets, taking into account economic conditions and participant characteristics. There is also a requirement for educational institutions to provide information on job prospects of their graduates. The idea is to embed evidence-based decision making into the employment and skills system. Some states and local entities want to collect their own

¹⁹ OECD (2014a) *Employment and Skills Strategies in the United States* OECD Reviews on Local Job Creation, OECD Publishing.

data to evaluate the effectiveness of programmes and to provide better information to staff and participants.

Canada

Government structure and responsibility for employment policy and skills development

Government in Canada is structured over three tiers: the federal (national), the provincial (state) and the municipal level.²⁰ Both federal and provincial levels have scope to intervene in training to meet labour market needs. At federal level Employment and Social Development Canada (ESDC) is responsible for setting labour market and social policy, which has influence over skills. It provides funding and a regulatory framework for a number of labour market agreements – including Canada Job Fund Agreements (designed to facilitate greater employer involvement and investment in training decisions) and Labour Market Development Agreements (LMDAs), which are outlined in more detail below.

Lower levels of government are very active in skills and workforce development policy, given that primary, secondary and post-secondary education (including college, polytechnic, university and private institution provision) is the responsibility of provincial governments. Each provincial government has a ministry in place to oversee post-secondary education, which sets the broad strategic direction and policies and regulations within which education and training providers operate. Across all provinces there are pressures for the post-secondary education system to respond to labour market demands.²¹ In response approaches adopted include making provision for workplace learning experiences for students and arrangements for employers to collaborate on course design.

Experience of devolution

Provinces also design and deliver labour market programmes that are nationally regulated or funded from federal sources.²²

During the 1970s and 1980s the federal government increased its role in the design and purchase of training, particularly within the unemployment insurance system. However, in the 1990s there were pressures for devolution from:

²⁰ OECD (2014), *Employment and Skills Strategies in Canada*, OECD Reviews on Local Job Creation, OECD Publishing.

²¹ Howard A. and Edge J. (2014) *Policies, Laws, and Regulations: Governing Post-Secondary Education and Skills in Canada*. Ottawa: The Conference Board of Canada.

²² Wood D.E. and Klassen T.R. (2011) *Improving the Governance of Employment and Training Policy in Canada*. Mowat Centre for Policy Innovation: University of Toronto.

- developments in federal-provincial relations – including constitutional questions, a referendum on independence in Quebec in 1995 and concerns regarding overlap and duplication in federal and provincial roles;
- trends elsewhere in the world – towards devolution of training from national to local levels;
- potential gains in programme efficiency from devolution to local level.

The 1996 Employment Insurance (EI) Act, which created a single system of income support and active employment measures to eligible Canadians, provided a framework for devolution. Federal government made an offer for new bilateral agreements with provinces, in which provinces could receive funding for their own programmes designed for EI recipients provided they were similar to federal programmes – with a duty to ‘work in concert’ included in formalised governance arrangements. This resulted in the introduction of Labour Market Development Agreements (LMDAs), which were designed to increase alignment nationally on the prevailing situation of little consistency across provinces in terms of the labour market support offer and governance of skills policy,²³ while at the same time ensuring provincial governments had flexibility to deliver programmes suitable for local need. Through LMDAs there is a transfer from the federal to the provincial level to fund an extensive network of employment services and activities to individuals and businesses. All provinces must produce an annual plan and report on LMDA activity for the year. The federal government remained responsible for collecting premiums and income benefits, but there was a transfer of people, facilities and resources pertaining to active labour market measures to provincial level, enabling provinces to plan over the longer-term.

In 2013 the Federal Government announced an intention to renegotiate LMDAs to reorient training towards demand, so as to better prepare Canadians for the future labour market and increase return on investment in employment training programmes - with better outcomes in terms of real jobs, to help address skills gaps, etc. This means that there is a need to enhance performance measurement and reporting on meaningful employment outcomes.

²³ Wood D.E. (2013) *Could European Governance Ideas Improve Federal-provincial Relations in Canada?* European Diversity and Autonomy Papers: EDAP 06/2013

Challenges arising as a result of devolution

While there is some evidence that the flexibility that allows provincial governments to tailor federal programmes to local conditions improved the effectiveness of labour market programming,²⁴ local flexibility/devolution in Canada has led, or contributed to:

- Some problems of qualification recognition in different parts of Canada and lack of a Canada-wide framework to recognise prior learning.
- Challenges in reporting the success of federal-government funded interventions – Wood and Klassen (2011)²⁵ reported that between the 13 provinces and the federal government there were 49 agreements concerning labour market interventions, each with a different reporting schedule, and no Canada-wide reporting at a programme level; hence the effectiveness of \$2.9 billion of federal funding for labour market interventions could not be determined at the national level.

(Further insights into lessons from Canada and other countries considered here are provided in section 2.3.)

Australia

Introduction

Australia has a federal structure, with six states and two territories. Both levels – the federal and state/territory - can influence employment and skills policy. Employment services are funded by federal government and outsourced to a network of around 100 employment service providers known as Job Services Australia (JSA). JSA providers receive service and outcome fees, the latter tailored to supporting the disadvantaged groups. States and territories link employment and training with employment; they have prime responsibility for the engagement and attainment of young persons in education and training, and their successful transition into employment.

The VET system in Australia is governed by a national and common framework developed jointly by federal and state/territory governments. There is a nationally agreed system for registering qualifications and quality assuring training providers. The system is industry-led, with employers, trade unions and industry-specific professional associations defining the outcomes that are required from training. State and territory governments implement the nationally agreed framework into their own systems, and plan, regulate and fund the delivery of training. VET is provided by training organisations (public and private) which register with the government to teach accredited courses. Technical and Further Education

²⁴ Wood D.E. and Klassen T.R. (2011) *op. cit.*

²⁵ Wood D.E. and Klassen T.R. (2011) *op. cit.*

(TAFE) institutes are the main public sector providers, with other training provided by secondary schools, colleges, universities and private registered training organisations. The system has been subject to ongoing reform to adapt to changing economic circumstances.²⁶

A national network of 55 regional committees is tasked with economic development for their regions, with different emphasises across them, focusing for example on economic, social or environmental issues. At local level local government economic development units play an active role also.

Local employment co-ordinators (LECs) have an overview of employment policy, vocational education policy and local economic development policy at local level.

Activity at local level

At the time of the global financial crisis the Australian Federal Government introduced a fiscal stimulus package – Keep Australia Working - to maintain employment. Additional support and services were provided through a Jobs Fund for job creation projects that built community and social infrastructure. This strategy made a priority of co-ordinating employment policy at a local level, drawing together government, local employers, business leaders and community groups.

Two specific developments in skills policy in Australia are outlined here: first, the creation of localised strategies to bring together local employers and community associations to help deliver local solutions to local skills and employment problems in Priority Employment Areas (PEAs) supported by LECs; and secondly, an earlier attempt to experiment, via pilots within states, in creating a more demand-led skills system (including pilots with a skills ecosystem type approach).

Localised strategies to develop local solutions to local skills challenges

In the wake of the global financial crisis the federal government identified 20 PEAs as in need of additional assistance. LECs were appointed to these areas. Primarily intended to ensure employment services reach disadvantaged groups in the labour market, the role of the LECs was to:

- match local education, training and employment;
- target local businesses and industries to identify emerging employment opportunities;

²⁶ OECD (2014c) *Employment and Skills Strategies in Australia*, OECD Reviews on Local Job Creation, OECD Publishing.

- develop and maintain an advisory committee of local stakeholders from employment, VET and economic development backgrounds;
- identify local employer needs, including skill and labour shortages, and the structural barriers impeding job matching.

Initially fora were held to engage local communities. On the basis of the local issues raised, these forums were followed by a series of Jobs and Skills Expos. These Expos were organised to create a one-stop jobs and skills marketplace, bringing together employers, recruitment agencies and employment service and VET providers. The Expos provided an opportunity for business to connect with the community at large, and to disseminate information about their skill needs, while job seekers got an overview of the variety of jobs and skills training opportunities that were available and could meet potential employers face-to-face.

To further achieve the goals set out for LECs, regional employment plans were developed by the LECs and PEA advisory committees. These plans included addressing local skill development needs, targeting support to disadvantaged groups, and improving employer and industry awareness of the available support and services. A key task for LECs was to work with local stakeholders to identify and develop projects that could maximise employment and training opportunities through the Jobs Fund. Local stakeholders make proposals, the LECs make applications and the state offices of the federal government's Department of Education, Employment and Workplace Relations (DEEWR) approve projects. In 2009 172 projects were announced with funding of AU\$132million.

This LEC model has stimulated collaboration amongst key actors and institutions at the local level. It has been extended by the Australian Government because of its perceived success. The approach represents a new, local arrangement emerging from specific government policy and indicates how the skills needs of local areas can be identified and met, with national government acting as the enabler rather than as the operator.

Piloting reforms to move to a more demand-led skills system

Australia has experience of experimenting in reforming its skill formation system, with the principal aim of shifting from supply- to demand-led vocational training. Funded by national and state government, there were three programmes with over with over 100 pilots between 2002 and 2011, which involved a 'skills ecosystem type approach' – i.e. most had a focus on both skills supply and demand; involved interventions in work, employment and training; had overseeing stakeholder groups; and had a project manager or officer.

Despite the lack of formal evaluation of these pilots, research offers some over-reaching findings about these initiatives which are of generic relevance.²⁷ First, there were problem definition issues (i.e. trying to identify the root problems in local skills systems and then their root causes). Secondly, effective skill ecosystems need leaders with ‘deep knowledge’ of the system as well as good analytical and political/organisational skills. Thirdly, the work of these ‘integrators’ is demanding, especially when partnership building involved actors more used to competing. Fourthly, nourishing these systems to make them flourish or even be sustained is difficult within a conventional funding regime; most initiatives were funded for less than two years. Arguably, more success seems to have arisen with a series of parallel and independent, employer-led local initiatives in Australia²⁸ in which employers in particular sectors of local importance endeavoured to become collectively self-reliant in ensuring that workforce development met business needs.

Belgium - Flanders

Governmental structures

Belgium is a federal state. At the sub-national level there are regions (Flanders, Wallonia and Brussels), and at sub-regional level there are provinces, cities and municipalities. The federal state is responsible for labour law and social security, while the regions are responsible for economic and employment policies. The regions have powers related to active labour market policies, vocational education and training, and adult training. Cities and municipalities mainly implement decisions taken at higher levels but can deliver local initiatives related to local labour market policy and education. Local authorities do not receive specific funding from higher levels for local labour market initiatives (except for ‘central cities’ which have a co-ordination role). However, they can direct local labour market policy, but this role has to be defined in partnership agreements. Social dialogue, involving trade unions and employers’ organisations, plays a role in influencing skills policies and collective bargaining with regard to advice and decision-making is important in the field of socio-economic policy making and implementation.

The Flanders experience – outline of the employment and skills system

Due to the institutional structures outlined above, regional governments in Belgium develop different policies and administrative practices. Hence the focus in the remainder of this section is on the region of Flanders, which comprises five provinces and 308 cities and

²⁷ Buchanan, J., Anderson, P. and Power, G. (2015 forthcoming) ‘Skill Ecosystems’ in Buchanan J., Finegold D., Mayhew K. and Warhurst C. (Eds.) *Oxford Handbook of Skills and Training*, Oxford: Oxford University Press.

²⁸ There are some similarities here to the Employer Ownership of Skills agenda in the UK.

municipalities. Within Flanders there is a multiplicity of actors involved in the skills system at local level.

The Ministry for Education and Training has responsibility for secondary education, higher education and adult education, while social partners hold sectoral training funds. There is a high level of autonomy for schools, such that the government can exert limited control, and there is limited incentive to adjust to local labour market needs. After compulsory secondary education (which finishes at the age of 18), VET programmes are available, delivered in secondary schools, adult education centres and university colleges. VET is also provided by the Flemish Public Employment Service (PES), which is an autonomous agency reporting to the Minister of Work and Social Economy.

Other important players in relation to VET are Regional Technological Centres (RTCs), which are collaborative partnerships between the educational system and enterprises. They do not provide VET directly, but they facilitate connections between companies and secondary schools or adult education centres, in order to create workplace training opportunities, the sharing of equipment and infrastructure, and training of teachers. There are five RTCs in Flanders, which operate at the level of provinces and stimulate the exchange of good practices. They are accountable to the Flemish government and have to develop strategic plans every five years, and yearly action plans.²⁹

Despite the existence of local offices, the PES has historically been centrally controlled, but central priorities do not always match local labour market needs. The strategic objectives of the PES are to activate all jobs seekers, using an individual approach, aiming at sustainable integration into the labour market, provision of career guidance for all citizens; support to employers to hire well-qualified employees; to provide procedures that recognise and develop competencies; and to create partnerships.

Towards greater local autonomy

Across the employment and skills system differential autonomy between local actors, and differences in organisational goals, can make co-operation difficult. The temporal direction of travel has been one of greater local discretion in the PES, allowing some autonomy to meet the needs of the local labour market through local partnership working. Local partnership agreements state general aims and usually describe the division of tasks between partners and where collaboration will be undertaken.

A key feature of local partnership working is adopting sector-specific approaches at city level. For instance, in Antwerp the city authority, the PES and the Public Centre for Social Welfare are working more closely together than was the case formerly, with a clear

²⁹ OECD (2015a) *Employment and Skills Strategies in Flanders, Belgium*, OECD Reviews on Local Job Creation, OECD Publishing.

division of responsibilities and improved partnership working with education and business. One particular manifestation of this is the establishment of 'Talent Houses' (i.e. local training centres), jointly operated and funded by the city, the PES and business partners (i.e. employers' organisations and trade unions). The Talent Houses are sector-specific (e.g. focusing on construction, logistics [around the harbour] and education). Drawing on sectoral expertise, they are designed to co-ordinate and serve the needs of job seekers, employers (helping them find new staff) and teachers / trainers in updating study materials.

The trend towards greater autonomy is also evident in the abolition of detailed annual business plans for the PES and evaluation on the basis of exits-to-work and customer satisfaction. In 2014 management contracts and annual business plans were abolished, with the revised emphasis on the PES contributing to more general policy goals – such as offering advice to young jobseekers (as part of the Youth Guarantee) and/or addressing skill shortages. The PES determines for itself how it will meet these locally-relevant goals.

Challenges of greater local autonomy

The different local approaches within and across regions mean that it is difficult to compile a meaningful national overview of activity and there are difficulties in benchmarking across local areas.

Further challenges of local autonomy include:

- differences in capacity to design and co-ordinate policies between local areas - in general, there is greater capacity to co-ordinate actions in cities such as Antwerp than in small towns;
- it takes time to embed new practices - and again there are differences between local areas; and.
- an issue as to whether government can/ should allow jobseekers to receive different services in different regions.

Furthermore, local autonomy can mean relative institutional complexity, with a range of different local partnerships with different kinds of actors. There are concerns that some partners may be overloaded. There is also the issue of who takes the lead in local partnerships, and there can be concerns that a range of different strategic interests may hinder co-operation. To obviate these problems, in Antwerp the city Employment and Economic Development Department co-ordinates actions relating to promotion of job creation, skills and employment. There is also horizontal accountability between the PES and the City of Antwerp, which has been identified as a model of good practice.³⁰

³⁰ OECD (2015a) *op. cit.*

However, Antwerp is a large city in the Flemish context, and not all cities / local areas are as well placed to take on such co-ordination roles. This is indicative of an asymmetry in arrangements across local areas.

Sweden

Overview and inherent contradictions

The Swedish employment and skills system is a function of contradictory philosophies, with the Ministry of Labour wanting a streamlined and efficient employment service, operating uniformly across the country, while stakeholders involved in regional and local economic development espouse integration of services provided by many different organisations. As a result, Sweden may be thought of as being “a decentralised and uniform welfare state”³¹. In reality employment and skills policy operates on the basis of “disciplined collaboration”, rather than geographical integration of policy instruments. There have been experiments with devolution, but over time employment policies have become more centralised. Local government, however, plays an important role in funding and in collaborating locally to provide services for the unemployed, while skills development is an activity for government at all levels. Regional and local co-ordination takes place around regional planning frameworks.

Swedish employment policy has an explicitly national perspective on matching of supply and demand for skills, with an emphasis on mobility rather than retraining for the local labour market. There is a strong centrally managed performance and budget management system. This means that scope for local flexibility in managing employment policy locally is relatively low. Hence, in principle there is an inherent tension with policies for regional and local development which focus on local economic development in a specific region. How this tension plays out in varies depending on local circumstances.

VET

Sweden has a robust VET system, with a comprehensive range of programmes and relatively high participation rates.³² Programme costs are subsidised by government. Higher level VET programmes are implemented in response to labour market needs and are designed with employers and industry to be responsive to employer demand. Typically, such programmes include a workplace training component. Evidence suggests that Swedish employers spend relatively large amounts on skills development and training

³¹ OECD (2015b) *Employment and Skills Strategies in Sweden*, OECD Reviews on Local Job Creation, OECD Publishing.

³² OECD (2015b) *op. cit.*

for those in employment, although some employers' organisations question the relevance of post-secondary education.

Developments at regional and local level

Local and regional government in Sweden fund secondary education. This includes various forms of secondary education for adults, including those who want to upgrade or move sector / occupation. Some of these are similar to those provided by the public employment service, and so in 2010 the Swedish government introduced 'regional skills platforms' to stimulate local and regional collaboration, including with the national employment service. The guidance was that the regional skills platforms should work with education and skill supply and demand in the medium- / long-term to arrange and organise co-operation between the different organisations in the field. Given the relative vagueness of the guidance, different regions chose different models. The approach adopted in Skåne in southern Sweden is set out in Box 2.2.³³

Box 2.2 Regional Skills Platforms: the example of Skåne

Traditionally the standard model in Sweden would be to create a big partnership (with over 30 members), with representatives from the public and private sector and from universities. In this model there tends to be a problem that each organisation highlights their own interests and action plans lack focus and are difficult to evaluate. To obviate this traditional problem, Skåne in southern Sweden experimented with a different approach of providing forecasts of supply and demand for in the region for different education groups. Challenges identified included a shortage of skilled craft workers in manufacturing, engineers, specialist medical staff and nurses, and low employment rates for inhabitants born outside Sweden and Denmark. A small partnership was formed with public sector partners, and action groups were established, involving the private sector, to address the specific challenges. The process stimulated co-operation between different local stakeholders and some changes to skills provision have been enacted, including extra instruction in Maths and Science in schools, enhanced co-operation with the manufacturing and healthcare sectors, lobbying with the University and large manufacturing companies to increase the number of civil engineering students and additional Swedish language courses.

The Skåne example is illustrative of local flexibility despite a national focus for policy in Sweden. Local government is relatively strong and the example shows how the public sector can collaborate with private sector employers to develop skills training and education programmes to meet local needs. However, competition for students limits the

³³ Lindell C. (2015) 'Analytical work as an instrument for collaboration: Experiences and lessons learnt from the work with Skills Platforms in Skåne', Presentation to 'Lessons and Experience of Devolution of Skills Interventions' Workshop, 26 February, London.

co-operation between different actors in the education market, and it is difficult for actors at regional level to influence those at national level.

2.3 Lessons for England?

Addressing local skill needs is difficult. Co-ordinating the relevant actors and activities to achieve their aims lies at the heart of the issue.³⁴

Rationale for, and benefits of, devolving skills and enhancing local flexibility

Generic issues

International experience suggests that the key benefits of devolving skills include the following.

- The possibility of greater innovation and flexibility in better matching of local skills supply to local demand through integrating human resource and economic development policies, developing local knowledge networks, building local demand for skills, and (potentially) addressing issues of skills utilisation so that local talent is not wasted.
- Giving local strategic direction to local stakeholders, so that they can adapt policy to the needs of local labour markets.
- Adapting delivery to the needs of individuals and businesses and creating joined up pathways between them.

Lessons – enablers required for effective local working

The evidence from selected countries in section 2.2 highlights that for local skills systems to work effectively the following enablers are required:

- Sustained and sufficient national government funding.
- Local capacity and expertise.
- Flexibility and balance in aligning local, regional / state and national skills needs and aspirations.
- Autonomy to identify and respond to local needs.

³⁴ Buchanan J. et al. (2015) *op. cit.*

- Strong local partnerships involving the public sector, education and training providers and employers – with good local leadership / co-ordinators - to identify and respond to those needs.
- Accountability – vertically and horizontally through locally-sensitive performance management metrics.

Approaches to devolution and localism

In terms of how devolution may be enacted approaches include:

- Developing multi-level governance structures and institutional flexibility amongst existing stakeholders and institutions.
- Creating new governance structures.
- Building capacities – including analytical capacity – at local level and awarding flexibility on an incremental and asymmetrical basis where capacity exists.
- Supplementing vertical accountability between local and national levels with horizontal accountability between local actors.

Challenges of devolution and localism

Generic issues

Key challenges of devolution and localism include:

- Safeguarding a nationally coherent system and strategies.
- Maintaining quality and accountability.
- Supporting labour mobility between local areas – rather than focusing solely on local labour market needs.
- Ensuring availability of sufficient resource and time for development of local capacity and development of effective local partnerships, strategies and delivery.

Lessons – barriers to effective local working

The evidence from selected countries in section 2.2 highlights that key barriers to effective working of local skills systems can include:

- Local partners lacking adequate local labour market information (and/or capacity to analyse existing information) to plan effectively and monitor / assess achievement.

- Limited / short-term / uncertain funding arrangements which undermine continuity of local effort and commitment, and/or shrinking funding undermining established capacity to meet local needs.
- Prioritisation of local needs undermining wider workforce development system coherence.
- Imbalance in local partnership arrangements – with one set of stakeholders dominating.
- Shortcomings in governance structures making horizontal accountability between local stakeholders and mutual confidence-building difficult.
- A potential disconnect from national targets – including performance management metrics that lack local sensitivity.

Challenges from a national level perspective

A fundamental challenge of a devolved skills system from a national level perspective can be a lack of comparability in outcome indicators used in different local areas, such that evidencing outcomes at national level is problematic; (something that is regarded as more of an issue in some of the case study examples than in others). This challenge was particularly evident in the cases of Canada and Flanders – both of which have less centralised structures than England. Robust performance measurement and reporting is crucial for evaluating the effectiveness of local skills systems. Evidence from the USA suggests a need for locally-sensitive metrics that adequately account for characteristics of individuals and local economic conditions.

There is a further generic question relating to the timescale over which indicators are measured (i.e. the short-term or the longer-term), but this is a wider issue.

Furthermore, in a devolved local skills system there are likely to be greater differences in provision of services between local areas than in a national skills system. This challenge to national uniformity was highlighted as a key reason for maintaining a relatively high degree of centralisation in the Swedish case. This suggests that it is important to set parameters and constraints for local decision-making and delivery of services in order to maintain a minimum threshold of service provision across local areas.

3. Development of Skills Policy in England

This chapter sets the context for the development of the vocational education and training system in England, before setting out the key skills policy developments and changes in skills funding since 2010 which form the backdrop to this local skills case study. Particular emphasis is placed on the trend towards greater employer co-investment in skills and the local dimension to skills policy.

3.1 Developing a modern demand driven VET system in England

Looking back over the past forty years of vocational education and training (VET) policy in England it is possible to discern a readily identifiable path of development:

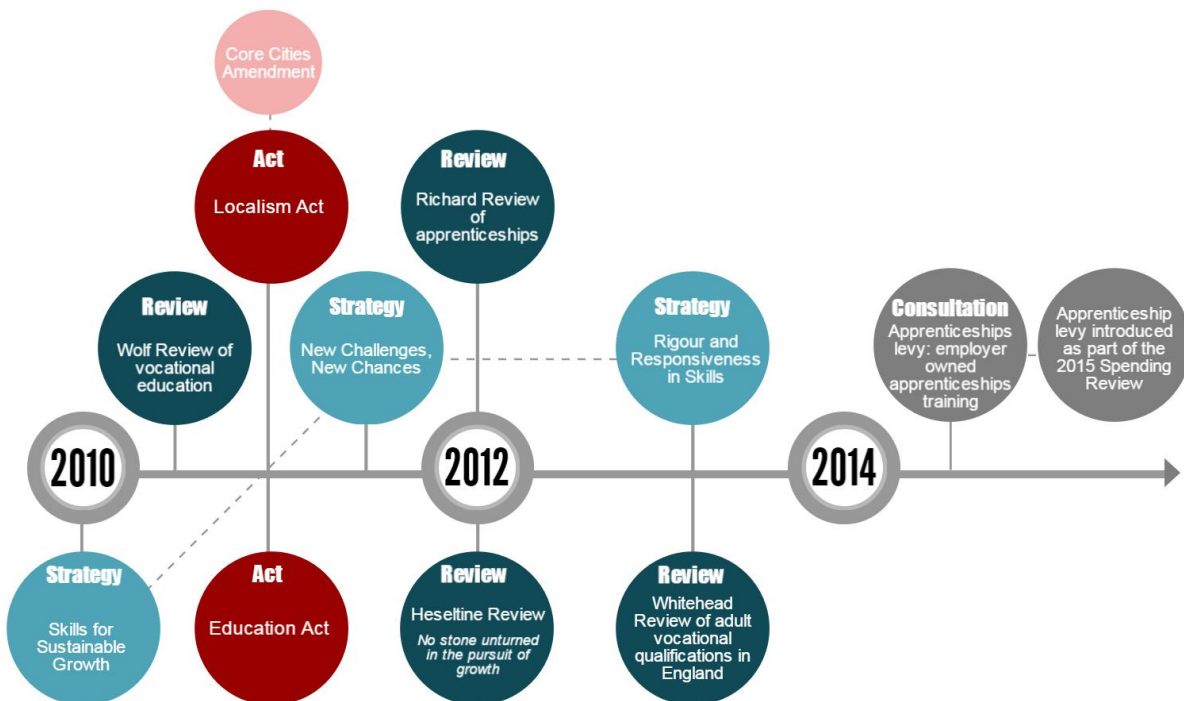
- on-going concerns that levels of investment in VET are sub-optimal (e.g. overall participation levels being insufficiently high and too much provision being concentrated on delivering low rather than intermediate level skills in comparison with many competitor countries);
- creating a strong external training market where employers and learners have a degree of choice in making their VET investments. Important here is the use of market mechanisms, to ensure that the demand for, and the supply of skills, is optimised. The State's role becomes one of intervening where market failures are likely to drive down the demand for, and supply, of skills;
- the State maintaining a regulatory role in providing, amongst other things, a qualifications framework and ensuring that certain quality standards are met in the delivery of VET (e.g. through Ofqual and Ofsted);
- improving the supply of labour market information so that the consumers of VET are better informed about the likely returns from any investment in skills. In this way they are better placed to behave as rational economic actors making an investment decision;

- ensuring that the beneficiaries of VET – be they employers or learners – contribute to the cost of its provision, notably in relation to adult skills, so that the State avoids, as far as is practicable, subsidising private returns (c.f. Banks / Leitch reviews);³⁵
- a preference for using workplace learning (Apprenticeships) as both a means of delivering initial and continuing VET.

More recently, VET policy has taken on a more local dimension (see section 3.4).³⁶

3.2 Skills policy developments from 2010

Figure 3.2: Skills reforms in England, 2010-2015



The Coalition Government (2010-2015) placed considerable emphasis on reforming the skills system. Their programme for Government set out their view that: “our universities are essential for building a strong and innovative economy. We will take action to create more college and university places, as well as help to foster stronger links between universities, colleges and industries” (The Coalition: Our Programme for Government,

³⁵ Banks, C. (2010) *Independent review of fees and co-funding in Further Education in England*. Coventry: Skills Funding Agency; Leitch Review of Skills (2006) *Prosperity for all in the global economy – world class skills*. Norwich: HMSO.

³⁶ See also Keep E. (2015) *Further Education and Localism in the Context of Wider Debates Concerning Devolution – Paper one*, London: Association of Colleges.

2010: 31).³⁷ In 2010 the Coalition Government also set out its intention to decentralise government, which by association would had a transformative effect on how skills would be delivered in England. The reform has gathered most pace since 2012 due to a number of enabling Acts, reviews and strategies (see Figure 3.1 and Table 3.1).

Table 3.3: Key Acts, reviews and strategies influencing the English skills system since 2010

Title	Act, review or strategy	Description
Skills for Sustainable Growth	Strategy	The coalition government's original skills strategy
Wolf Review of vocational education	Review	Review of vocation education for 14-19 years and how it can be improved to promote progression into work or further learning
Education Act	Act	Introduced numerous changes including the prioritisation of apprenticeships for 16-18 year olds, care leavers and disabled young people aged 16-24 years
Localism Act and core cities amendment	Act	Introduces greater controls to local authorities, enabling them to have greater control over local matters The core cities amendment enables greater devolution in cities
New Challenges, New Chances	Strategy	An update of <i>Skills for Sustainable Growth</i> and sets out how the government will finance the reform of FE and adult skills
Richard Review of Apprenticeships	Review	Review of apprenticeship standards and the role of apprentices. Recommendations included changes to apprenticeship funding
Heseltine Review	Review	Review of the UK's ability to generate wealth and made 89 recommendations to improve the performance of the economy
Rigour and Responsiveness in Skills	Strategy	An update of <i>Skills for Sustainable Growth</i> and subsequently <i>New Challenges, New Chances</i> . The foci is ensuring qualifications are relevant to the labour market and the system delivers what learners and employers want
Whitehead Review of adult vocational qualifications in England	Review	Identified areas where vocational qualifications needed to be improved and made recommendations based on the best practice found

The skills policy objective is 'improving the quality of further education and skills training'.³⁸ Responsibility used to be shared between Department for Business, Innovation and Skills (BIS) and Department for Education (DfE). Since July 2016, it is the responsibility of Department for Education. The Skills Funding Agency (SFA) is an executive agency of DFE which is responsible for ensuring colleges, training providers and employers have access to appropriate funding to ensure people, including those unemployed and with low skills level, can gain the skills needed for employment. SFA funding is for the training of

³⁷ HM Government (2010) *The Coalition: our programme for government: Freedom, fairness, responsibility*. London: Stationery Office

³⁸ BIS and DfE (2012). *Policy: improving the quality of further education and skills training*. Available online at <https://www.gov.uk/government/policies/improving-the-quality-of-further-education-and-skills-training#history> (accessed 17/03/2015)

individuals aged 19 years or older. The Education Funding Agency (EFA) distributes funding to institutions, including colleges, that deliver training to those 18 years or younger.

Underpinning national government policy to 'improve the quality of further education and skills training' is Rigour and Responsiveness in Skills (2013).³⁹⁴⁰ 'Rigour' is embedded in what a vocational qualification enables a learner to do. Responsiveness is being achieved through the removal of centralised control, allowing education and training providers to be flexible to demands of local employers and learners.

The Skills Funding letter to the SFA from BIS outlining priorities for the 2016/17 financial year⁴¹ (published in December 2015) outlined the priorities for SFA funded provision. It underscores the importance placed on Apprenticeships in delivering vocational skills in the future. Other priorities are traineeships for young people lacking basic skills to obtain an Apprenticeship, and mathematics and English for those who need it. Another priority is technical and professional education to equip individuals with high quality skills.

Previously colleges had been encouraged to review their business plans as 'a catalyst to build new and strengthened relationships, engage and contract with employers, forge local partnerships and look proudly to new models of delivery that will underpin sustainability for the future'.⁴² Any colleges that were 'considering a major change in their delivery model' were required submit a Structure and Prospects Appraisal. These appraisals required colleges to consult widely including with the local LEP, employers and the Chamber of Commerce.⁴³ This suggests an interesting balance between flexibility (encouragement to colleges to review provision) and a requirement that this was agreed through Government. In the December 2015 letter,⁴⁴ with regard to localisation, the principle of ensuring that provision is aligned with both current labour market conditions and future economic development, as well as responding to demand, is highlighted. As far as possible and practical, the emphasis is on future delivery agreements with delivery providers reflecting local priorities, which might include job outcomes and English and mathematics achievements.

The direction of travel is towards a demand led system which is a significant departure from the primarily supply based system delivered pre-2010. The system is becoming more demand led as employers and learners are empowered to make informed decisions

³⁹ BIS / DfE (2013) *Rigour and Responsiveness in Skills*. London: BIS/DfE

⁴⁰ BIS (2010) *Skills for Sustainable Growth*. London: BIS

⁴¹ BIS (2015) *Skills Funding Agency (SFA) Priorities and Funding for the 2016 to 2017 Financial Year*. HM Government

⁴² BIS and SFA (2014). *Skills Funding Statement 2013–2016*. HM Government

⁴³ BIS (2014). *Structure and Prospects Appraisals: Further Guidance to Further Education Colleges*. HM Government: London

⁴⁴ BIS (2015) *Skills Funding Agency (SFA) Priorities and Funding for the 2016 to 2017 Financial Year*. HM Government

through access to more and better information ‘the curriculum, quality and value of different learning opportunities’⁴⁵. Employers and learners are the ‘main driver’ in the reformed skills system⁴⁶. Although engaging with employers is not new, the wider policy changes have created an environment that is more conducive to local control. The Government’s policy on decentralisation has placed more responsibility for skills to the local level. LEPs have to include skills as a core priority⁴⁷ and further education providers are expected to engage with local partners.⁴⁸

3.3 Employer Co-investment in VET

The Government is committed to employer co-investment in VET. Under this model, the Government will meet a share of the overall cost of Apprenticeship training up to a maximum amount in cash terms. The share of training costs relates to the cost of training delivered by a training provider and excludes such items as apprentice wage costs, the costs of supervising apprentices, etc. Because the Government will be meeting only a share of the costs, it is up to employers to obtain the best deal possible from a training provider in order to minimise their costs (subject to their quality requirements being met). The employer will then receive a digital voucher to pay for the Government’s overall share of the training.

In order to ensure that employers co-invest, an Apprenticeship Levy has been introduced. This will be levied at 0.5 per cent of a company’s overall payroll with an offset of £15,000 (which means that employers will only make a levy payment if they have a payroll over £3m). This is predicted by HM Treasury to generate £3b in funding for Apprenticeships. The anticipation is that the levy will increase the number of Apprenticeship starts.

3.4 The Local Dimension

Introduction

Local areas have always had an interest, via their local development remit, in employment. With the creation of LEPs their remit has been augmented by skills development. This may be considered alongside Government desire to see more responsibility for decision making to be ceded to the appropriate level (i.e. national, regional, or local). In many respects this requires national and local in situations to work in concert to bring about

⁴⁵ BIS (2011). *The Skills System at a Local Level*. HM Government: London p.3

⁴⁶ BIS (2011). *The Skills System at a Local Level*. HM Government: London p.3

⁴⁷ BIS (2013). *Local Enterprise Partnerships: Interim Government Response to the Committee’s Ninth Report of Session 2012–13*. House of Commons: London

⁴⁸ BIS (2011). *The Skills System at a Local Level*. HM Government: London p.3

more effective and efficient interventions. It also means that local provision needs to be structured to meet economic and educational needs. This is the rationale for the Area Reviews of further education provision, discussed below, the aim of which is “to create in each part of the country a more diverse and specialised network of colleges which is able to meet the post-16 vocational education needs of the area”.⁴⁹

Greater local control

To understand the full picture, changes to skills policy need to be considered in conjunction with a broader shift to greater local control. The Localism Act (2011) introduced the foundation for decentralisation and the Core Cities Amendment to the Act allows local government to make the case for greater control over their locality. The Heseltine Review, *No Stone Unturned* (2012),⁵⁰ summarises the economic case for decentralisation as follows:

For the UK to face up to the challenge of increasing international competition, we must reverse the long trend to centralism. Every place is unique. Local leaders are best placed to understand the opportunities and obstacles to growth in their own communities. Policies that are devised holistically and locally, and which are tailored to local circumstances, are much more likely to increase the economy’s capacity for growth. National policies devised by central government departments can never be as relevant to all the different circumstances of our local economies as strategies that originate in those places to start with.

Decentralisation has the potential to create a policy environment that is conducive to employer ownership of skills.

Who and what drives the skills system is shifting; there is greater onus on employers and learners to be the drivers. To enable this, the existing skills infrastructure was utilised and joined up to new, more locally orientated, mechanisms of delivery. In 2010, 39 Local Economic Partnerships (LEPs) were established. In 2012 LEPs were given a strategic role in setting skills strategies locally. This is a direct result from recommendations made within the Heseltine Review, *No Stone Unturned* (2012).⁵¹

LEPs will have an important role in setting skills strategies for their areas, as a central element of their remit to achieve growth and development for their communities. They will, for example, be able to identify areas where there is a need to develop specific skills to support growth businesses. LEPs have also been able to apply for funding from the Employer Ownership Pilot, working with local employers and, where appropriate, with national sectoral partnerships. In our response to Lord Heseltine’s report we have agreed to

⁴⁹ BIS (2015) *Skills Funding Agency (SFA) Priorities and Funding for the 2016 to 2017 Financial Year*. HM Government

⁵⁰ Heseltine M. (2012) *No Stone Unturned*. London: BIS

⁵¹ Heseltine M. (2012) *No Stone Unturned*. London: BIS

include an element of skills funding within the Single Local Growth Fund, allowing LEPs to influence provision going forward.

We will also introduce a number of measures to ensure that all colleges take account of local priorities. The government will encourage LEPs to have significant representation on FE colleges' governing bodies, with colleges represented on LEP boards. And we will ensure that from July 2013 LEP priorities will be reflected through the National Careers Service.

DfE and BIS (2013) *Rigour and Responsiveness in Skills*. HM Government: London; pp.13-14

Greater local control of skills is also being achieved through *City Deals* and *Growth Deals*. LEPs are the mechanism through which Growth Deals are delivered. In addition to funds through these agreements, LEPs are responsible for 2014–2020 European Social Funds (ESF). Also from 2015-16 LEPs gained responsibility for FE capital funding⁵². To secure this funding LEPs have to submit financial plans to SFA.

In relation to City Deals, their potential impact on skills can be seen with reference to the one agreed in the West Midlands with the Combined Authority in 2015. There are a number of elements to this including:

1. completion of Area Review to assess VET provision across the region;
2. the development of an Employment and Skills strategy informed by the Area Reviews and labour market intelligence to create the overarching strategic framework for delivering devolved responsibilities;
3. greater local commissioning and responsibility for outcomes. From the academic year 2016/17 grant funding for non-apprenticeship further education is being brought together under a new unified adult education budget, which will be distributed to providers through a block grant. The adult education budget brings together £1.5 billion of funding in the 2016-17 financial year, combining the previously distinct community learning, discretionary learning support and non-apprenticeship adult skills.

So, from 2018/19, devolution of adult education budget funding will commence as part of wider devolution deals negotiated between central government and local areas, but Apprenticeships will remain a national responsibility.

Area reviews

The role of Area Reviews is important.

⁵² BIS and SFA (2014). *Skills Funding Statement 2013–2016*. HM Government

The focus of the Area Reviews is upon FE and Sixth-Form Colleges but other providers can be included too where they agree to do so. While there is recognition that there are strong providers at the local level, there is scope provision to be more efficiently delivered. This is the aim of the Area Reviews. The policy document introducing the Area Reviews states that there may well be a "...need to move towards fewer, often larger, more resilient and efficient providers. We expect this to enable greater specialisation, creating institutions that are genuine centres of expertise, able to support progression up to a high level in professional and technical disciplines, while also supporting institutions that achieve excellence in teaching essential basic skills – such as English and maths. This will need to be done while maintaining broad universal access to high quality education and training from age 16 upwards for students of all abilities including those with special educational needs and disabilities."⁵³

So the Area Reviews will establish what the supply needs to look like at the local level if VET is to be efficiently delivered at the local level.

3.5 Conclusion

Skills policy has undergone many changes over the past forty years or so as the system has moved from a system that needed to develop capacity – in both raising levels of demand for initial VET and ensuring that there was an external VET infrastructure to deliver it – to one that sought to be build up the quality of provision with respect to delivering economically valuable skills to both employers and learners.

The way VET is funded is critical to understanding its capacity to deliver economically valuable skills. Employers especially have been increasingly pushed towards meeting a greater share of the overall costs of VET in return for having more control over its content. In this way, employers are incentivised to ensure that the VET they invest in yields them a suitable return that they are able to appropriate. This also potentially drives efficiency savings too. If employers are required to bear a greater overall share of the costs of training delivered through publicly provided programmes such as Apprenticeships, then they are likely to ensure that the training they demand is delivered efficiently.⁵⁴ Similarly, where individuals are investing in skills – perhaps through a Training Loan – they will also want to ensure that the training delivers them a return which implies that it will also be delivered efficiently.

⁵³ HM Government (2015). *Reviewing Post-16 Education and Training Institutions*. London: Department for Innovation and Skills

⁵⁴ Depending upon the efficiency savings obtained, the overall cost of training to employer could fall even if they are meeting a higher share of the total cost.

Efficiency savings are important. But at the local level there is also a need to ensure that provision across the piece is viable - hence the importance of the Area Reviews – to ensure that essential provision is not lost. This is where local actors are particularly important given their more detailed knowledge of local demand for, and supply of, skills.

4. Developing a framework for analysing a local skills system

Local skills ecosystems are complex. They involve many partners covering a wide range of issues. A framework has therefore been developed to enable this complexity to be analysed and understood to help guide an appropriate response at local level to the issues being faced. The framework is illustrated with evidence gathered from primary research in the Black Country. This chapter describes the framework in abstract, sets out how it can be used by local stakeholders and highlights some key points by drawing on findings and good practice in the Black Country.

4.1 Purpose of the Framework

The framework has been developed to assist all those involved in seeking to improve the workings of a local skills system. This requires an understanding of the position as it is, along with a view of what the end outcome should be, and so what actions might be required to make the progress envisaged to reach the end outcome.

Any skills system is inter-linked with many other policy agendas (e.g. business development, employment and education). These wider policy domains are touched on by the framework, but the **central focus is skills**. The framework is intended to be used at a point in time, recognising that over time the policy and local context can change, and this may mean that different objectives or actions are required.

Working through the Framework to this point could provide a useful tool for local and national stakeholders as they develop an Outcome Agreement (OA).⁵⁵ The framework would enable partners to develop appropriate outcomes and mechanisms based on a full understanding of the situation in their area. At the same time it is important to acknowledge that, as earlier AOC/UKCES work found, the process of developing an OA is as important as the agreement itself.⁵⁶ The process has to create the right level of shared understanding and trust across partners.

In working through the process of agreeing outcomes it will be important for areas to consider how they will demonstrate that the new skills provision mix is better than that it has replaced. This is in part of question of data to track and show change in levels of

⁵⁵ An Outcome Agreement provides a mechanism for stakeholders to analyse the skill needs in their local area and the outcomes that they want to achieve. The partners can then agree what actions will be taken, including what contribution each will make.

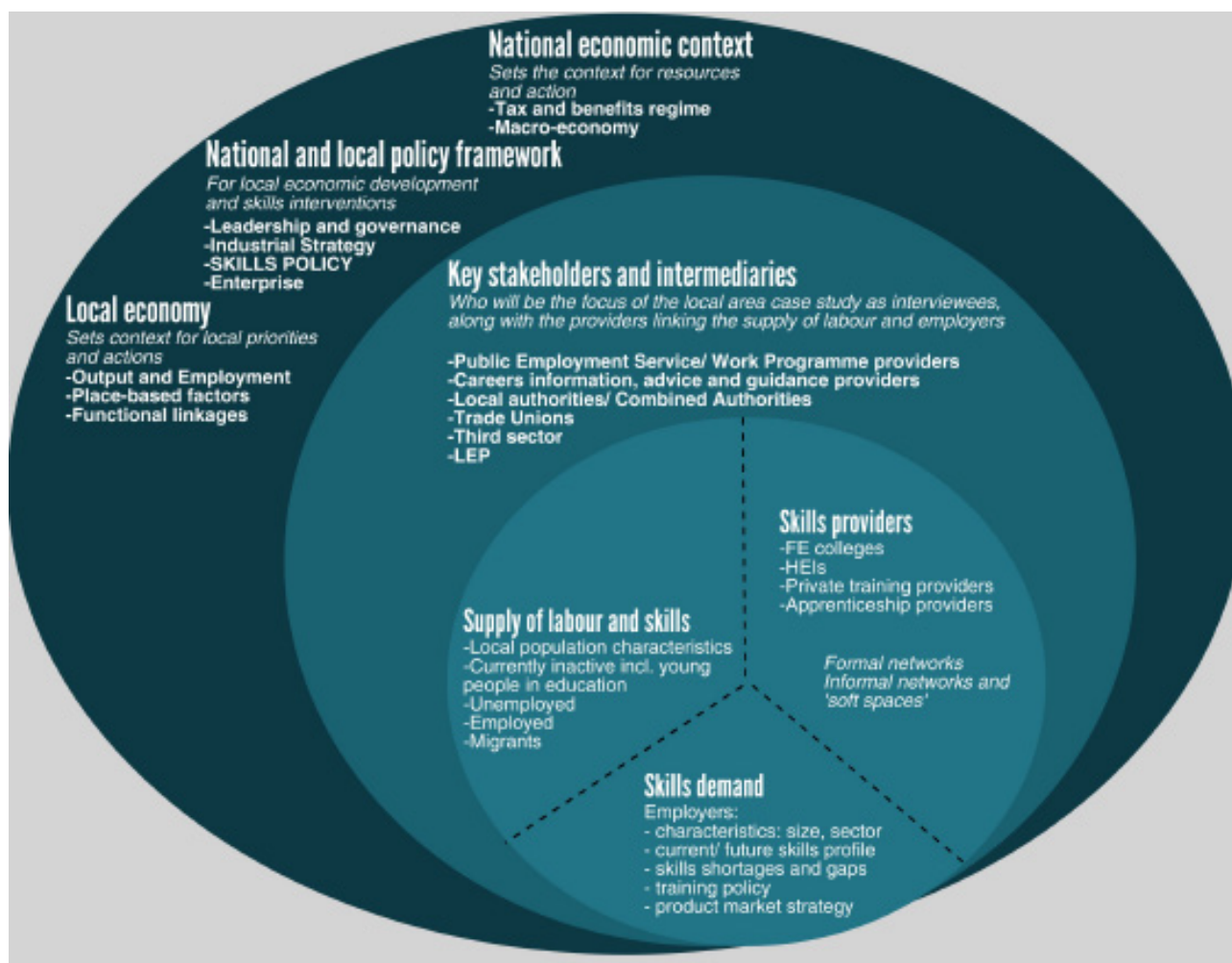
⁵⁶ AoC and UKCES (2015) *Local Action, National Success How Outcome Agreements Can Improve Skills Delivery*.

investment, activity and the extent to which needs are being met. This in turn will also require clarity about who is responsible for collecting and quality assuring the data, and how far this needs to be done in a way that is consistent across local areas.

4.2 The development of the framework

The framework was developed in the course of the research in the Black Country. An initial conceptual framework was developed as shown in Figure 4.1. Following two rounds of consultations with national and local partners there was a need to develop an analysis framework to move beyond the conceptual framework and provide something that would enable a much greater degree of detail to be drawn out about how the local system was working and how it could be improved.

Figure 4.4: Conceptual framework



Following a series of iterations within the research team the framework was tested through a workshop with a series of stakeholders with a view of the Black Country. The workshop yielded a series of extremely useful comments about the detail of the framework, which have been incorporated in the final version. In addition, BIS introduced the framework as

part of the discussion around the Sheffield City Region devolution deal. That again yielded useful comments which have been incorporated.

4.3 The structure of the framework

The framework is presented in full in Annex 1. It is structured around three broad themes (which appear as columns) that align to those developed in the context-mechanism-outcome (CMO) approach.⁵⁷ This structure, drawing on the well-recognised simple logic chain model, has the advantage of being clear that the outcomes being sought will be a function of the context within which the area is operating and the mechanisms driving change.

The first column of the framework recognises that **context** is an important component and needs to be understood both in terms of:

- national policy and funding
- the nature of the local economy.

The middle column of the framework sets out the drivers of change, describing the **mechanisms** whereby different components of the system could be encouraged to change, and the challenges and uncertainties that could arise to such changes.

The final column on **outcomes** looks at what success might look like in terms of an improved skills system, and what evidence and metrics could be available to demonstrate this. It also seeks to identify what are the risks which will arise from pursuing these outcomes and asks how such risks can be mitigated.

The complexity of the skills system is reflected in the framework having three layers indicating successive depth, alongside the three themes (context-mechanism-output):

- **Layer 1: Introduces** a high level framework structured around the CMO approach to understanding the skills situation in a local area. The coverage of each box is outlined in broad terms, acting as an introduction to what follows.
- **Layer 2: Sets out the analysis framework.** It populates the framework with a considerable amount of detail in each box. In particular, it outlines key local and national aspirations, and details a series of questions for stakeholders to consider in testing how ready the local area is to meet these aspirations.

⁵⁷ Pawson R. and Tilley N. (1997) *Realistic Evaluation*. London: Sage

- **Layer 3: Moves from analysis towards action.** In doing so it takes the framework one step further. It sets out further questions which could be used to prompt further understanding about some of the issues identified in Layer 2, and so identify actions which could be taken to improve the local situation and so delivery.

The boxes in each layer of the framework in Annex 1 are colour coded to differentiate between and within columns: purple is used for contextual factors; blue is used for areas of policy and action; green is used to signify outcomes / progress; and red to highlight issues and risks.

4.4 Using the framework

The detail covered by the framework should help local stakeholders to analyse the range of different issues that pertain to the local labour market. The layers of the framework follow sequentially. In approaching each layer there are different questions that those involved should ask as they seek to address the issue that the framework raises. These questions are set out in Figure 4.2.

Figure 4.2: Checklist questions for completing each layer of the framework

Layer	Key questions to ask
1	<ul style="list-style-type: none"> a) Have the right people been engaged to address the range of issues to be covered? b) Does the group of people represent the full range of stakeholders in the skills system (including funders, colleges, training providers, universities, Jobcentre Plus, learners, employers and sector bodies)? c) How far can the group of stakeholders address the issues from their current knowledge?
2	<ul style="list-style-type: none"> d) Which questions can be answered based on existing knowledge? e) How confident are you that the knowledge base for answering the question is robust? f) Where the evidence is not robust, how important is this issue to the local area? g) If it is important, what steps should be taken to fill the evidence gaps? h) What do the answers arrived at say about where the skills system is working well? i) Where is the skills system not working well?
3	<ul style="list-style-type: none"> j) What does the evidence of Layers 1 and 2 mean for the questions raised in Layer 3? k) What future changes should be made to improve the local skills system? l) How confident are you they will be effective? m) How significant are the risks involved in the change?

4.5 Layers 1 and 2

Layer 1 in effect acts as an introduction for Layer 2. As a result, the two layers share the same structure of sub-headings and boxes within each of the three columns as set out in Figure 4.3.

Figure 4.3: Structure and headings of layers 1 and 2

Column heading	Context	Mechanism	Outcomes
<i>Column boxes</i>	Context – national	Drivers of change – national	Potential positive outcomes
	Policy objectives	Drivers of change – local	Potential negative outcomes
	Context – local	Challenges and uncertainties	Mitigating actions

In Layer 1, each of the boxes outlined in Figure 1 asks a broad, overarching question. This is then followed in Layer 2 by a much more detailed list of questions and issues to be considered. Two examples of this are given in Figure 4.4; (for more detail see Annex 1).

Figure 4.4: Example of the contents of Layers 1 and 2

Column box	Context – local	Potential positive outcomes
Layer 1 – broad question	What are the key features of the local labour market and wider economic context?	What metrics would demonstrate that the system is working better?
Layer 2 – detailed prompts	Nature of the local skills supply base Nature of local skills demand Performance of local schools, colleges and HEIs: Student attainment Employer focus Financial security of providers <ul style="list-style-type: none"> • Quality of local careers advice • Size of the area and quality of transport links 	More aligned provision Higher quality provision in key sectors More efficient delivery Increased employer investment Increased apprenticeships – take up and applications Improved (robust) financial performance of providers

The sections below work through the layers and columns of Layers 1 and 2 of the Framework, drawing attention to examples from the research in the Black Country for illustrative purposes.

Context

The national context

The national context changed considerably in the time of the study, in particular since the General Election in May 2015. Among the most apparent changes have been the announcement of an Apprenticeship Levy covering employers with a payroll of over £3 million, a series of local area reviews of post-16 education and the on-going devolution of a range of powers including some skills budgets to combined authorities (as set out in Chapter 3).

The local context

Understanding the local context is important for any analysis and future development of the local skills system. This should include: a detailed understanding of the local economy, size, structure, geography, etc.; plans and expectations for its development; and mapping of the number, scale and specialisms of different types of training provider. In essence the demand for the skills system in future will be driven by changes in employer

needs, but the nature of the response will be conditioned by existing provision so both need to be understood.

The Black Country

The Black Country comprises the boroughs of Dudley, Sandwell, Walsall and Wolverhampton. It has a population of 1.14 million of whom 23 per cent are from ethnic minority groups. As outlined in Chapter 1, the Black Country has:

- a complex urban skills market with functional economic links across the LEP boundary to the wider West Midlands labour market of which it is part - including Birmingham to the south-east
- a variety of skills providers – including private training providers, six FE Colleges (Birmingham Met College [Stourbridge campus], Dudley, Halesowen, Sandwell, Walsall, and Wolverhampton), and a University (the University of Wolverhampton)
- a history of manufacturing being an important sector - the Dudley, Tipton, Walsall, West Bromwich and Brierley Hill area was the ‘cradle of the Industrial Revolution’ and then in the late 19th century Wolverhampton developed as a major industrial area, along with Birmingham and Coventry in the wider West Midlands. The manufacturing sector saw substantial contraction in employment in the late 1970s and 1980s - leaving the area with a legacy of higher unemployment than the national average and lower than average skills. Currently the local area is facing the challenge of meeting skills demand in the high value manufacturing sector – notably in the nationally important strategic sectors of automotive and aerospace, which have a strong presence locally.

There are 439.2 thousand jobs in the Black Country⁵⁸. Manufacturing continues to account for a larger share of employment than nationally and the Black Country economy has particular specialisms in metal products, plastics and manufacturing of tools and machinery. Manufacturing businesses account for 15 per cent of employment and at 10 per cent the Black Country has the highest proportion of employment in advanced manufacturing of any LEP area. The Black Country Strategic Economic Plan⁵⁹ identified the strong high value manufacturing sector in the Black Country as a source of strength. It emphasised the role of some major flagship employers in investing in skills development and apprenticeships (see Table 4.1).

⁵⁸ ONS Business Register and Employment Survey 2014

⁵⁹ Black Country LEP (2014) *Black Country Strategic Economic Plan: 'Made in the Black Country: Sold around the World*, Black Country Consortium.

Table 4.5: Skills in the Black Country: SWOT analysis

<p>Strengths</p> <p>Density of employment in the manufacturing sector – providing a core skills base</p> <p>Successful drive to improve school and pupil performance</p> <p>Establishment of the Black Country Skills Factory and its impact to date</p> <p>High level of investment of some major employers in apprenticeships and skills</p>	<p>Weaknesses</p> <p>Above average proportion of people with no qualifications</p> <p>Below average proportion of people with NVQ Level 4 qualifications and above</p> <p>Underperformance of Black Country pupils in relation to STEM subjects</p> <p>Poor quality of careers IAG</p> <p>Skills shortages and gaps in key sectors</p> <p>Low employer investment in skills and training (38th out of 39 LEPs)</p>
<p>Opportunities</p> <p>Potential impact of the Skills Factory on more companies, including smaller businesses</p> <p>Scope for greater collaboration and specialisation between suppliers</p> <p>Potential for retiring workers to become trainers</p>	<p>Threats</p> <p>Ageing workforce – skills upgrading of current workforce required</p> <p>Small businesses fail to engage and invest in skills and training</p> <p>Lack of equipment to deliver training employers want</p> <p>Shortage of qualified trainers in some sectors</p>

Source: Black Country LEP Strategic Economic Plan 2014

However, this contrasted with low employer investment in skills and training more generally, especially amongst small businesses. Together with a higher than average proportion of people with no qualifications and a below average proportion of people with qualifications at NVQ level 4 and above, this contributed to skills shortage and skills gaps in key sectors. Poor quality information, advice and guidance (IAG) is identified as a further weakness.

For further selected findings from the research in the Black Country see Annex 2.

Mechanisms

Policy mechanisms and influence exist at both national and local level. At **national level** these are often most apparent where funding changes highlight issues that are becoming more or less important to government. Examples include moves to increase apprenticeship activity and route its funding through employers (having also collected a levy from larger employers), and the growing use of loans to individuals to replace grants for education/ training.

Local areas can affect provision through both influence and funding. Local Enterprise Partnerships (LEPs) have influence over the nature of local provision (the Black Country LEP in this instance), as will Combined Authorities (in this case the West Midlands Combined Authority). This exists through their:

- Advocacy of local needs, including through the development of local strategies and usually a local Employment and Skills Board
- Funding levers including the FE Capital Budget and European Structural and Investment Funds (ESIF).

However, **delivering change requires addressing a series of challenges and uncertainties, which in the Framework are grouped as structural, demand response and provider response.**

Taking **structural issues** first, the issues highlighted here are intended to help local areas assess how well local stakeholders are working together to maximise the delivery in the local skills system. This analysis needs to go beyond the formal structures in place to consider how well the structures are operating, either formally or informally. For example, there may be an a strategy or series of strategies covering economic development, employment and skills, but how far have local stakeholders recognised this and used it to shape their provision at a system or institutional level? Similarly, how far are providers coming together to deliver the strategy, recognising that they may take different roles, or is there open competition between them? See Box 4.1 for an example of collaboration. Better joining up between local partners – including prioritising and agreeing key strategic skills objectives - is a prerequisite for effective local delivery meeting local need.

Box 4.1

The Black Country Colleges Engineering Group is an example of joint working. It produces a prospectus of the engineering offer across the colleges. It also provides a forum through which colleges can make each other aware of plans and so seek to develop specialisms which are complementary.

Another structural issue which local areas may want to consider is how far they align to a functional economic area. The Black Country provides an interesting example of this, in that it is:

- Comprised of four local authority areas, all with their own centres, no single obvious focal point and with relatively poor transport links between centres
- Part of the wider West Midlands Combined Authority with good link from most parts of the area to Birmingham.

Therefore, considering travel to work and travel to learn routes is far from straightforward, especially when overlaid with the location of local institutions and the different patterns pertaining for different skills groups. There is no single urban centre in the Black Country that is the focal point for journeys from all parts of the sub-region. There was common consent that people pursuing lower level qualifications would be much less likely to travel to learn, than those pursuing higher level courses. This reflects longstanding differences in commuting patterns between different population sub-groups (Green and Owen, 2006;⁶⁰ Coombes et al., 1988).⁶¹ There is a further issue raised by interviewees in the Black Country that there are differences in willingness to travel outside of the local area for education / training amongst some cultural groups.

The key to determining local skills training provision should be the nature of **demand for skills training from employers and from individuals**. This will usually be a function of the nature and performance of the local economy. Where firms are growing and developing it would be expected that they would have a growing and changing need for skills.

Good quality local labour market information should capture and describe what is needed, and where gaps and shortages exist that the supply side could respond to alleviate (see for example Box 4.2). The extent to which this information is available, has been communicated and then led to action in a co-ordinated way at local level links back to the

structural issues outlined above. To make the most of limited resources there is scope for a collaborative approach to development and sharing of underpinning LMI to inform partners' delivery.

A relative lack of employer investment in skills development was seen as a key issue in the Black Country, and one that was recognised by the LEP. Training providers can of course do things to stimulate greater demand. Indeed, it is in the interests of providers that they do act in this way. This could be through promoting the availability of loans to individuals alongside high quality information on the outcomes gained by people who have completed courses, through to promoting apprenticeships to a range of new employers.

Box 4.2

One college noted how it had greatly improved its performance since it had invested to ensure that it had access to very good labour market information, and resource to ensure analysis of this information to help plan provision.

⁶⁰ Green A.E. and Owen D.W. (2006) *The Geography of Poor Skills and Access to Work*, Bristol: Policy Press.

⁶¹ Coombes M.G., Green A,E, and OWEN, D.W. (1988) 'Substantive issues in the definition of localities : evidence from sub-group local labour market areas in the West Midlands', *Regional Studies*, 22, 303-318.

However, while recognising that they had a role, education and training providers also thought that bringing about change would not be easy. They had invested resources in recruitment and run events, for example to explain the new mechanism for apprenticeship funding, but had found many smaller firms not interested in the additional responsibilities that it would place on them. Therefore, providers were concerned that the routing of funding through employers could actually reduce their market; while at the same time recognising the change was coming and seeking to respond. One emerging response is described in Box 4.3.

In parallel, there were concerns that employer demand for Level 3 Apprenticeships outstripped the supply of young people locally applying to take them up. This was thought by the consultees to be related to careers advice in schools. It is the responsibility of schools to provide careers advice, and they can do so separately from other actors in the local skills system. Those in the local skills system feared that many schools did not understand what the skills system could offer and that schools had a self-interest in advising pupils to stay at school rather than to pursue alternative opportunities.

Box 4.3

In some sectors the demand for apprenticeships is low, e.g. security where what employers want is a license to practice and similarly parts of construction sector where they want a CSCS card. Some providers are now offering a package of apprenticeship plus (say) CSCS to ensure that they can draw down funding and give employers what they want.

More widely, **the responsiveness of providers** is a key part of the local system. This should include consideration of how providers are seeking to develop, both individually and collectively. At an individual provider level, it is important to understand the clarity and resources being devoted to providers' strategic plans. There is likely to be some variation in this. For example, the Black Country Local Skills Study revealed:

- Some providers who viewed their key priorities as short term survival, delivering what was in their contract from the Education Funding Agency (EFA) / Skills Funding Agency (SFA) which was renewed annually, and maintaining a high Ofsted rating. This could mitigate against pursuing change in a context of limited time and money devoted to market development exacerbated by uncertainty over future government funding
- Others which had allocated several people to market development and were seeking to target (say) a sector across the local area, the Black Country or more widely, or were

Box 4.4

One college, for example, has identified the need to increasingly sell direct to employers as a way to increase income. To deliver this they have employed a Commercial Director, bid writer, and a sales team.

changing their focus in anticipation of funding changes. An example is presented in Box 4.4.

There is also a question about how far these development plans are consistent with the local economic strategy, as outlined above, and with each other. There was an acknowledged risk that too many providers seek to target the most attractive opportunities out of commercial interest. While competition can be good, a response that is not co-ordinated risks leaving some needs (of both employers and of individuals) unmet. This could mean that key sectors which have high costs of training, or training that requires high levels of up-front investment in kit could be under-provided for as demonstrated in Box 4.5.

Outcomes

The outcomes part of the framework covers three related questions:

- What positive outcomes are wanted?
- Are there potential negative outcomes in trying to achieve the intended outcomes?
- What actions could be taken to maximise the chance of the positive outcomes and mitigate the risk of negative outcomes?

In the current context the outcomes are likely to focus around trying to deliver increases in activity, and doing so more efficiently / with less public funding than in the past. At the same time there is the on-going need to better match demand and supply, especially for key sectors and occupations identified in the local area's economic strategy. See Box 4.5 for an example from the Black Country.

Box 4.5

The Skills Factory is an example of an initiative in the Black Country that has drawn out employer demand and reshaped some supply to better meet needs. It is focussed on high value manufacturing. Through detailed analysis it identified gaps in local provision where (usually) smaller employers had not used existing provision because it required larger class sizes or trained people in more modern equipment than the employers were using. The Skills factory has therefore worked as a brokerage to identify where provision and facilities could be made available and link firms to this.

Any change is likely to involve some risks. For example, shifting patterns of provision brings both opportunities and threats to providers. It could mean some providers not being financially viable, which in turn could have implications for delivery in some parts of the local area or some niche subjects. The potential impact of these risks needs to be

balanced against the scale of the benefits to be attained and the scale of probabilities of a good or negative outcome occurring.

In weighing up the balance of positive opportunities and risks, it is also necessary to consider what could be done to mitigate any risks. This could include having greater certainty about longer term funding and priorities, for example through a devolution deal, or better co-ordination at a local level through improved fora leading to more joint decision making.

4.6 Layer 3

Layer 3 of the framework seeks to move from the detailed analysis prompted by Layer 2, to a consideration of what the appropriate policy response might be. It is therefore intended to be forward facing. It retains the three column structure of context, mechanisms and outcomes and box titles are very similar.

Context

This column has a simplified box structure compared to the previous layers. It simply **differentiates between national and local**. This simplification reflects that the context requires to be summarised in deciding about future actions, but in the short term it is not subject to change.

In essence, the issues and prompts contained in this column revisit much of what has come before, but more complete answers should be available due to the analysis of the local situation undertaken at layer 2. For example, on local context Layer 3 asks about the suitability of local provision, which should have been tested in detail under challenges and uncertainties in Layer 2.

Mechanisms

The mechanism column contains similar boxes to the previous layers, covering:

- Current **national-local arrangements**
- **New mechanisms and amended mechanisms.**

For each of these two issues there are a series of questions as set out in Table 4.2. These questions aim to draw out the extent to which national and local priorities are pulling in the same direction; and what could be done better at a local level to improve performance of the skills system.

Table 4.2: Questions from the mechanisms column of layer 3 of the framework

Current: national-local arrangements	New mechanisms and amended mechanisms?
<p>Where do national and local priorities match up? What are the characteristics of the mechanisms in place to achieve this?</p> <p>Where are national and local priorities not well integrated or aligned? What are the reasons underlying this?</p> <p>Identifying where progress needs to be made to fill gaps</p> <p>Why does local – national policy not co-ordinate better?</p>	<p>What are the potential mechanisms that will see skills policy more efficiently and effectively delivered at the local level?</p> <p>What needs to be ceded to the local level (and at what geographical scale) to ensure more optimal outcomes – and what mechanisms are in place to provide the rationale for this?</p> <p>What is realistically possible? How can existing institutional arrangements address gaps in local - national integration?</p> <p>What are the risk factors?</p> <p>What are potential benefits?</p> <p>How can risks be mitigated and benefits optimised?</p>

It is possible there will be misalignment between the national and the local. For example, in the Black Country ESOL (English for Speakers of Other Languages) provision has been reduced significantly as a result of changed national funding priorities. However, many interviewees locally thought this was an important component of the skills system given the characteristics of the local population and the significance of English language competence in successful labour market participation and for social cohesion more broadly.

Similarly, an area of tension for colleges in the Black Country was the need to provide functional maths and English skills to 16-18 year olds who had failed to achieve this at school. The colleges saw this as ‘fixing the problems of the school system’, but not necessarily focussing on employer needs. They argued many employers placed more value on vocational skills which were now being squeezed out by the system because of the time taken in the curriculum by English and Maths.

In such circumstances the issue for local partners becomes how best to address this apparent mismatch of priorities. For example, do they have access to alternative funding (such as through ESIF) to fill any of the gap, and how big a priority is this amongst other calls on other budgets? These decisions are then likely to come to local fora, where the capacity and supply of information will be important in enabling them to make the right decision both in terms of the specific need and its relative priority locally.

Box 4.6

West Midlands Combined Authority: Devolved 19+ adult skills funding from 2018/19, with the Shadow Board responsible for chairing Area Based reviews of 16+ skills provision.

Liverpool City Region: Responsibility for chairing an area-based review of 16+ skills provision, the outcomes of which will be taken forward in line with the principles of the devolved arrangements, and devolved 19+ adult skills funding from 2018/19.

Greater Manchester: Control of the Apprenticeship Grant for Employers in Greater Manchester and power to reshape and re-structure the Further Education (FE) provision within Greater Manchester.

Cornwall: Cornwall and Isles of Scilly Local Enterprise Partnership will work with Government to re-shape further education training and learning provision for adults, with implementation of new arrangements from 2017. Government will work with local partners to jointly identify and develop new apprenticeship opportunities.

In considering how to improve the local skills system partners would want to ask themselves what new approaches or mechanisms may be possible. This could involve making the current system work better, for example through improved leadership, information or structures. It may also, in the current context, raise questions about what additional freedoms and responsibilities could be devolved to a local area (and which ones government is willing to devolve in whole or part) to ensure improved outcomes, perhaps by moving away from some national policy constraints. Some examples of the skills focus in the current devolution deals are set out in Box 4.6 – with the West Midlands Combined Authority embracing the Black Country.

Outcomes

The outcomes column also contains two boxes. The first centres on **what are the principal outcomes to be achieved?** This is a largely qualitative question, asking for a description of an improved system, for example around an increased level of skills activity and/or a more efficient system. These should follow from the discussion prompted by Layer 2 and reflect the balance having been agreed after weighing up the positive and negative outcomes that are possible and the levers available to drive change.

So, returning to the Black Country maths and English example above, the ideal may be to have more flexibility over that budget to mix provision between the academic and the vocational. However, if this budget flexibility is not available then the change may be less likely to happen. Similarly, around careers advice in schools. A range of options are possible, with different likelihoods of being implemented due to current policy and resources:

- Moving responsibility for careers advice out of schools
- Providers / employers in the local area putting on events to inform young people about options, as already happens to some extent but the suggestion was that much more is needed
- A combined effort by (say) a group of employers or providers to promote their sector / offer.

Having described the outcomes to be targeted, the final box covers **metrics for accountability/ monitoring/ responsibility**. This is a crucial part of the journey. It is asking what measures can be used to track and demonstrate change, and hopefully improvement. Given the need to deliver the skills agenda (and to demonstrate the effectiveness of devolution) and the risks involved it is important that partners track the impact of changes that they are making.

In identifying these indicators, the framework highlights that partners need to consider data availability: how are data to be collected, and who has responsibility for data collection and analysis? The data should also cover both current provision, employer demand and learner / worker characteristics and needs. Ideally data should come from existing sources, including national data which can be analysed at the local level. This has advantages in terms of cost (it avoids additional data collection costs) and comparability (one way to test improvement is to understand how the local system is changing compared to elsewhere).

There is also a need to be clear what data is required for what purpose. This would include data which are primarily local key performance indicators (KPIs), or for vertical accountability (to national level) and horizontal accountability (across local partners). The three should be aligned, but different indicators may be required for different purposes.

Finally, as progress is made and as the local situation changes so there is a need to go back and consider how the changes made are influencing the original context, or indeed if the context has changed. As highlighted at the start of this chapter if the context changes then so might the most appropriate actions, in which case there could be a need to revisit the analysis undertaken.

4.7 Conclusion

This chapter has set out the analytical framework developed to explore the workings of a local skills system and how it could be improved. It has demonstrated the level of complexity involved through the large number of questions that need to be considered. Some possible responses have been illustrated by drawing on examples from the Black Country.

The next chapter considers how far the issues identified here are likely to be generic as opposed to place specific, and so provides a comment on the key issues around improving a local skills system and the barriers to doing so.

5. Going Forward: Emerging Considerations

The final chapter draws on the evidence gathered through the report to present a series of challenges which could apply across the skills system in a policy context of increased devolution. Each of the challenges is explained and some suggestions made for how they might be addressed.

5.1 Extent of local alignment with national priorities

The devolution agenda which is being promoted by government and taken up by many local authorities is based around the premise that local areas are better placed to understand their own needs and to implement appropriate solutions. In a range of policy domains this has led to budgets being devolved to local areas to use more flexibly. However, devolution to date has been partial and selective:

- While some policy areas have been devolved others have not (for example, the adult skills budget has been, but not 16-18 funding or careers).
- There remain a set of national objectives and targets which local areas are expected to contribute to (an example from the previous chapter being the focus on maths and English, even if at the expense of vocational subjects).

This can create tensions at local level, where partners feel constrained in what they can change. This is especially the case where policy domains are inter-connected and so a lack of change in one domain may reduce the scale of impact expected or wanted through a change in a more devolved mechanism. In such cases it is for local areas to consider:

- How far the constraints in other parts of the system should influence or change their planned actions in other parts of the system, for example it was reported by consultees that efforts to promote apprenticeships are being undermined by the nature of careers advice provided in schools. In such circumstances it may be if a change in the careers element cannot be achieved then the work on apprenticeships should be changed / reduced to reflect the constraint.
- Whether they have local resources that could be used to address some of the constraints that they identify or could change any elements of local implementation to improve the fit of different agendas.

One other issue where there could be a divergence of local and national agendas is around data and performance metrics. What may be important at a national level may not seem important at a local level, or vice versa. As demonstrated through the international review in Chapter 2, in some cases there has been concern at national level when

diversity of measurement at local level has meant it was difficult to assemble aggregate data across the country.

Conversely, the US example appears to lean to greater focus on the local, and enabling local areas to focus resources as they see fit. The contrast may be a reflection of scale, being larger it may be less insightful to add up the US data. It could also be about each nation's ethos and system of government, with more centralised countries placing more emphasis on having national data. As England moves to a more devolved approach, the key question perhaps is what purpose does a national set provide in comparison to having more locally focussed performance metrics? And if there is to be a national data set, what is the minimum that it should provide?

5.2 The challenge of employer engagement and responsiveness to the needs of employers

The move towards an employer led skills system has been a policy objective for many years. However, it remains challenging and successive governments have taken steps to improve the situation. The increased focus on local areas making their own decisions should support this agenda, creating a shared sense of purpose alongside relationships which can be developed to ensure that skills supply is focussed on local demand.

The research has highlighted a series of key challenges around this agenda. Although these are not new, they remain important:

- That employer demand needs to be understood at a very granular level of detail - for example down to the types of equipment being used not just the tasks being completed, and it is resource intensive to develop this level of detail
- Employers often want provision which is heavily tailored to their own, specific needs. Larger providers including colleges may view such requests as not economic if the number of learners is small, which can create a barrier to small businesses getting what they want.

Inherent in both of these points is a sense that it will (continue) to be easier for larger firms to define their needs and source appropriate training provision. These firms are also more likely to be engaged with local stakeholders, including through LEPs. A key challenge therefore for local partners including economic development professionals and training suppliers is to develop mechanisms to draw out, articulate and service needs from smaller firms.

5.3 Competition versus collaboration and the role of partnership working

One possible barrier to the types of change envisaged nationally and locally is the desire of training providers to change. As articulated by several of the consultees in the Black Country, one constant throughout the change agenda is the desire for organisational survival and growth. This can lead providers to act in ways that are:

- Defensive – seeking to focus on and protect markets that they have
- Aggressively pursuing their own self-interest – focussing on markets with the highest return which may not always be what is most needed to improve the local economy.

One way to address issues of sub-optimal provision mix (characterised by duplication and gaps in provision) which arises through self-interest is through partnership working and collaboration. This poses a challenge for local areas about the need for a forum to bring interests together, and potentially the need for a broker to negotiate with local suppliers to ensure that the overall provision mix is appropriate and delivered in a way that supports sustainability.

The on-going local areas reviews can be viewed as a means to address this issue for post-16 provision in FE colleges. However, the question is also pertinent in the wider context of devolution and local economic development. While the framework set out in this report provides a mechanism for analysing and arriving at change it presumes a willingness on the part of stakeholders to engage constructively.

If partners do not engage constructively then change will be dependent on the exercise of power and influence. The LEP is meant to influence local provision. It has a direct say around capital and ESIF. However, it does not have a direct financial say on the greater majority of activity and so has to rely on a more influencing role for other aspects.

5.4 The speed of change

Alongside the challenges of making changes is the speed at which change can be delivered. For example, colleges highlighted the late notification they received around reductions in funding for mandatory ESOL, and the challenge this then caused around curriculum and staff planning. Suppliers face a significant challenge in maintaining existing services and quality for people already engaged, while also considering developing new provision. The latter requires resources to be devoted to it, but these might not always be available. In addition, while the need to change for the future may be important, it may not appear urgent. In such cases the role of sector development bodies can become very important to provide support and encourage providers to look away from immediate priorities and take a longer-term view.

5.5 Addressing future challenges

The discussion above has highlighted a range of challenges to be addressed in moving to a more locally-led skills system. The previous chapter covered the anticipated advantages of doing so through having increased both the volume of training provision and the efficiency with which it is delivered; and better matching of skills supply and training provision to skills demand.

However, there are also a number of risks, several of which we have returned to in this chapter. Given the relative newness of this agenda many of these issues remain to be played out and tested in practice. Returning to one of the pieces of experience from the international review would suggest that care needs to be taken to build in a series of monitoring and accountability mechanisms which look at:

- *Operational working at local level.* Is there sufficient horizontal accountability responsibility across the partners to provide confidence that they are developing solutions through a robust process? This type of issue will be particularly important in the early stages when partnerships are fairly new and performance data is unlikely to demonstrate a significant short-term change.
- *The impacts being achieved.* As devolution deals are agreed with an increasing number of parts of the country so it will become harder to say what is the effect of devolution (because of the lack of 'policy off' areas). Instead it is likely that the focus will be on local satisfaction with the actions taken (including through democratic process) and the comparative performance of different localities. Where differences occur it would prompt questions about how far the actions taken have been appropriate.

At this point much remains to be seen about how far devolution will lead to diversity across areas in the approaches and solutions that they develop. Experience, including from overseas, suggests that the division between national and local decision making will continue to change over time. As it does so will the need for local areas to understand fully their local circumstances and act appropriately. It is hoped that the evidence and framework presented will help with this understanding.

Annex 1: Local skills ecosystem analysis framework

Context

Mechanisms

Outcomes

Context - national:

What are the key changes being introduced?

Policy objectives:

At a national level, what are the key outcomes wanted?

Context - local:

What are the key features of the local labour market and wider economic context?

Drivers of change

National

Key actions that can be taken to change the system

Local

Key levers and actors to bring about change locally

Challenges and uncertainties

Structural

How well do local stakeholders work together to maximise the delivery of the local system?

Demand response

How will employers and individuals react to any proposed changes? How can they be influenced to behave as envisaged by national and local policy?

Provider responsiveness

What is the nature of the local suppliers base? What are its strengths and weaknesses? What are the opportunities and threats?

Potential positive outcomes

What metrics would demonstrate that the system is working better?

Potential negative outcomes

What risks / downsides are involved in changing the current system?

Possible mitigating actions

What actions might be taken to address the challenges, uncertainties and risks?

FRAMEWORK – LAYER 1

Context

Context - national:

- ❖ Changing national levels of skills funding and prioritisation
- ❖ Possibility of devolving elements of skills funding

National objectives:

- ❖ Improving skills to drive productivity
- ❖ More efficient and specialised local delivery
- ❖ Local supply better aligned to local demand
- ❖ Increase apprenticeships (3m)
- ❖ Improve Maths and English attainment
- ❖ Increase employer and individual contribution to training

Context - local dimensions:

- ❖ Nature of the local skills supply base
- ❖ Nature of local skills demand
- ❖ Performance of local schools, colleges and HEIs:
 - Student attainment
 - Employer focus
 - Financial security
- ❖ Quality of local careers advice
- ❖ Size of the area and quality of transport links

Mechanisms

Drivers of change

National

- ❖ Change in funding regime for skills, including loans, employer routed apprenticeship funding and apprenticeships levy, and reductions in FE budget
- ❖ Devolution deals and Local area review of post- 16 provision

Local

- ❖ Influence of the LEP (and in time the Combined Authority) on local skills provision
- ❖ Presence of intermediaries to identify gaps and develop solutions
- ❖ Scope to use oversight of funding streams including employers, individuals, central and local government and ESF to meet a range of skill needs
- ❖ Financial incentive (growth and survival) for providers to increase investment of employers and individuals

Challenges and uncertainties

Structural

- ❖ Are local stakeholders (including the LEP) able to influence sufficient change by providers?
- ❖ Are the right stakeholders engaged, including employers and (potential) learners?
- ❖ How do local powers of funding and influence fit alongside/differ from national priorities and funding?
- ❖ Is the local area clear how much national funding is coming in at the moment and for what, so that it can best use its discretionary resources including ESIF?
- ❖ Is the local labour market defined as a functional economic area, and so ensure local focus?
- ❖ Is there a forum / fora or body through which key providers can collaborate?
- ❖ Is there alignment of priorities between skills and employment, and LEP strategies and LA spend?

Demand response

- ❖ Is there a shared view of local labour market need and priorities for skills and employment?
- ❖ What will encourage (large and small, existing and new) employers to invest more?
- ❖ How far are people willing to travel to access learning, at different levels of learning?
- ❖ For what type of course and to what scale will individuals adopt loans?

Provider responsiveness

- ❖ Do providers have a strategic plan to change their business model and sources of income?
- ❖ Have they prioritised delivery of any change plan, and resourced this sufficiently (while still meeting existing needs, including Ofsted)?
- ❖ Do local providers collaborate and agree mutual priorities? Or do decisions by individual providers in their own interests dominate?
- ❖ Will providers co-operate or compete to develop the market, for example a joint information and marketing campaign to employers? What is the role of careers advice?
- ❖ How will providers structure themselves to meet the needs of different groups: large versus small employers; and higher versus lower level skills?
- ❖ How well does the provider response cover different parts of the local area?
- ❖ Are there clear pathways between colleges, or colleges and Universities for key subjects? And for people to move from non-employment to job entry and on to sustained employment and progression to higher paid jobs?

Outcomes

Potential positive outcomes

- ❖ Improved economic growth
- ❖ More aligned provision
- ❖ Higher quality provision in key sectors
- ❖ More efficient delivery
- ❖ Increased employer investment
- ❖ Increased apprenticeships – take up and applications
- ❖ Improved (robust) financial performance of providers

Potential negative outcomes

- ❖ Providers fail
- ❖ Reduced employer involvement as they do not want the additional responsibility / fund
- ❖ Mismatches in skills supply
- ❖ Reduced individual engagement due to travel or financial issues
- ❖ Lack of clear data / information on local delivery and extent it meets needs
- ❖ Provision not focussed appropriately (e.g. too many or too few sectors)

Possible mitigating actions

- ❖ Clarity over local distribution of funds – who by and on what basis
- ❖ Longer-term clarity of income to local area / providers
- ❖ Provider outcome agreements / better measurement of value added and long-term achievement in return for funding
- ❖ Agreed local priorities and provider forum to co-ordinate response
- ❖ Role of intermediaries in identifying demand and matching to supply
- ❖ Local capacity building

FRAMEWORK – LAYER 2

Context

National objectives :

- ❖ Employer ownership / employer routed funding
- ❖ Creating a demand led system
- ❖ More efficient delivery of skills
- ❖ Funding arrangements (c.f. creating a more equitable funding system where beneficiaries bear a proportionately high share of the costs)
- ❖ Managing market failure

Context - local dimensions

- ❖ Current institutional arrangements for economic and skills development
- ❖ Specific local priorities (e.g. employment v higher level skills?)
- ❖ Local area skills / employment specificities (e.g. sectoral strength)
- ❖ Institutional arrangements for delivering skills (e.g. extent of VET provision, whether provision is currently sustainable.)

Mechanisms

Current: national-local arrangements

- ❖ Where do national and local priorities match up? What are the characteristics of the mechanisms in place to achieve this?
- ❖ Where are national and local priorities not well integrated or aligned? What are the reasons underlying this?
- ❖ Identifying where progress needs to be made to fill gaps
- ❖ Why does local – national policy not co-ordinate better?

New mechanisms and amended mechanisms?

1. What are the potential mechanisms that will see skills policy more efficiently and effectively delivered at the local level?
2. What needs to be ceded to the local level (and at what geographical scale) to ensure more optimal outcomes – and what mechanisms are in place to provide the rationale for this?
3. What is realistically possible? How can existing institutional arrangements address gaps in local - national integration?
4. What are the risk factors?
5. What are potential benefits?
6. How can risks be mitigated and benefits optimised?

Outcomes

What are the principal outcomes to be achieved? This is likely to include:

- ❖ increased in both the volume of skills supply and the efficiency with which it is delivered;
- ❖ safeguarding provision relevant to the needs of the local economy;
- ❖ better matching of skills supply to skills demand.

Developing metrics for accountability/ monitoring/ responsibility

- ❖ Is new provision better than that which it has replaced?
- ❖ How are data to be collected? Who has responsibility for data collection and analysis?
- ❖ How does analysis feed through to local economic development objectives?

FRAMEWORK – LAYER 3

Annex 2: Key features of skills planning and delivery and local partnership working in the Black Country

This Annex provides an overview of selected themes and findings related to skills policy, planning and delivery in the Black Country emerging from interviews with consultees.

Introduction to the Black Country

Location and functional economic geography

The Black Country is at the heart of the West Midlands transport hub and the M5 and M6 motorways. It is part of the wider West Midlands metropolitan area, and although there are distinct urban centres within the Black Country, it forms part of a broader functional economic area. In functional terms there are commuting flows between the Black Country and Birmingham. Some Black Country jobs (particularly at higher skills levels) are filled by commuters from Staffordshire and Shropshire rather than by local residents. Given the importance of the automotive sector, several consultees saw the functional economic geography as extending beyond the Black Country administrative boundaries, to the broader West Midlands.

Structure of employment

There are 439.2 thousand jobs in the Black Country.⁶² Manufacturing accounts for a larger share of employment than nationally and the Black Country economy has particular specialisms in metal products, plastics and manufacturing of tools and machinery. Manufacturing businesses account for 15 per cent of employment and at 10 per cent the Black Country has the highest proportion of employment in advanced manufacturing of any LEP area. The automotive sector in the Black Country employs 4 thousand people and the wider supply chain employs 12.5 thousand people. Black Country companies in this sector support the supply chain of 10 OEMs, seven of which are within 45 minutes' drive. Jaguar Land Rover (JLR) has made a major investment in a new engine plant in the Black Country Enterprise Zone. 20 per cent of UK aerospace output is underpinned by four Black Country companies; aerospace employs 3 thousand people in the Black Country.

The Black Country LEP strategy focuses on:

⁶² ONS Business Register and Employment Survey 2014.

- transformational sectors – advanced manufacturing, transport technologies, environmental technologies, business services and building technologies; and
- enabling sectors – visitor economy, sports, health, public sector, retail.

Strategic skills issues

The Black Country Strategic Economic Plan⁶³ identified the strong high value manufacturing sector in the Black Country as a source of strength, and emphasised the role of some major flagship employers in investing in skills development and apprenticeships. But this contrasts with low employer investment in skills and training more generally, especially amongst small businesses. Together with a higher than average proportion of people with no qualifications, and a below average proportion of people with qualifications at NVQ level 4 and above, this contributes to skills shortage and skills gaps in key sectors. Poor quality information, advice and guidance (IAG) was identified as a further weakness.

Four particular issues identified by consultees⁶⁴ included:

- **low skills levels** – ‘skills poverty’ was identified as a concern for individuals (in terms of their ability to access and progress in employment), for employers (in terms of their ability to find the skills they needed) and for the local economy (as a brake on economic growth). Concerns were also expressed about the “legacy issues” posed by poor school performance in that the post compulsory education and training system (notably FE) had to deliver functional maths and English up to GCSE level for “vast numbers”. With a greater than average share of people aged 25 years and over with poor skills levels it was feared that a national policy of limited public support for this group would impact disproportionately on the Black Country;
- **skills shortages and gaps** - consultees mentioned a shortage of vocational skills – at all levels from basic skills to degree level. There was considered to be a relatively small pool of skilled technicians and some types of engineers (e.g. electrical) within the UK and this shortage was felt to be particularly acute within the region. As a result individuals with these skills were reported to find themselves able to command very high salaries, with many not looking for permanent employment and preferring to work on lucrative short-term contracts and so moving around, leaving employers with an ongoing challenge of filling vacancies. Larger

⁶³ Black Country LEP (2014) *Black Country Strategic Economic Plan: ‘Made in the Black Country: Sold around the World*, Black Country Consortium.

⁶⁴ Some verbatim quotes from consultees are included in the text but these are not attributed to specific individuals.

employers were considered able to attract the best candidates, leaving smaller businesses with acute skills shortages and gaps. There was a general concern about shortcomings in employability skills/ soft skills – particularly amongst the long-term unemployed and some young people;

- **limited aspirations of some individuals and some employers** – a prevailing relatively widespread lack of aspiration to progress in work was felt to mean that there was a limited market for loans for individuals for skills development. Several consultees commented on a relatively “parochial” outlook of some Black Country residents. In part this was attributed to a history of people in the Black Country tending to work very locally,⁶⁵ and also to difficulties in terms of intra-Black Country transport;
- **lack of/outdated knowledge of opportunities** – several consultees reported that there was a need to break down an “outdated view of what a career in manufacturing might look like”; (this is a national concern, but is of particular pertinence for the Black Country given the importance of manufacturing locally). One consultee noted that a problem in recruiting apprentices in manufacturing was overcoming the objections of parents, who often had negative perceptions of manufacturing. Another issue was that in the 1980s there were substantial job losses in manufacturing in the Black Country with the demise of large employers and the narrative then was to rebalance the economy towards services, while manufacturing represented the past. It was considered also that teachers in schools did not have a clear view about employment opportunities.

Skills Planning and Delivery

Key influences

Stronger local than national influences

The general consensus was that key influences on the local system emanate from both national and local levels, with national influences being stronger than local ones on skills planning and delivery. This was summed up by views that: first, the content of training tends to be dictated by national standards, rather than the specific needs of the Black Country; and secondly, that it is difficult for FE colleges and training providers to “think long-term”, since they face the challenge of being responsive to local demand while at the

⁶⁵ Cultural legacies of the historical manufacturing heritage of the Black Country include strong localised identities embedded within a coalesced mass of industrial towns and villages (see Wright E.B. [1996] *The Black Country*, Francis Lomas, Birmingham) and barriers to workforce employment, such as low skills, expectations and restricted mobility (see Henderson S R (2015) ‘Transforming old industrial regions: constructing collaboration within the Black Country, England’, *Geoforum* 60, 95-106.).

same time having to consider “what is fundable by SFA and DfE”. Hence, the local skills system could be considered as “fractured”, since it lacked a fully joined up approach.

The complexity of national skills policy

From a provider perspective it was considered “unhelpful” that the EFA and SFA were separate. This separation was further complicated from a provider perspective by the fact that SFA funding relates to fiscal years when providers tend to organise a good deal of provision in academic years which straddle fiscal years – so leading to problems of underfunding and overfunding. There was also a more general view expressed that national skills policy was too complicated, with: *“a pot of money to do this, a pot of money to do that”* and some overlap between certain pots (e.g. SFA overlap with the Regional Growth Fund was cited), when consolidation at local level might lead to available funding being used more efficiently and effectively.

A good base of local information

Generally, there was considered to be a good base of local information. The Black Country Consortium has been in existence since 1999, and through the Black Country Observatory has been able to identify what the key skills issues are for the area. In this regard, sector skills summaries identifying specific skills shortages for each sector were cited. The Black Country Consortium provides an ongoing local intelligence function for the LEP and for Black Country partners more generally. Local authorities also provide a local intelligence function.

The LEP as an influencing body

The LEP was identified as a key ‘influencing’ body in relation to skills planning and delivery. It was considered to be “going with the grain” of national policy in terms of prioritising support for high value manufacturing, but having a catalytic effect: “helping to get there quicker” and on a “bigger scale”. It was identified by several interviewees as an influencing factor in terms of identifying skills issues and beginning to taking action to address them (e.g. through skills capital funding).

Employers’ priorities as of increasing importance

Given the shift towards a more employer responsive skills system, employers’ priorities were identified as being of increasing importance by interviewees from all constituencies (i.e. employers, providers, local authorities, voluntary sector, etc.).

The role of national policy

Funding drives behaviour

There was general agreement that across education and training providers, funding drives behaviour because ‘funding follows the learner’ and because FE colleges and training

providers have to be financially sustainable. Although funding through the Regional Growth Fund, Local Growth Fund and City Deal were cited as local levers, national funding through SFA and EFA were stronger influences.

Concerns about loans

In the context of funding changes and a greater emphasis being placed on individuals taking out loans, it was considered that loans were a “harder sell” for FE than for Higher Education (where it was felt to be easier to see that having a degree might result in a wage premium). This was felt to be especially so in the Black Country where socio-economic challenges and cultural factors (for some population sub-groups) mean that it does not come naturally for individuals to take loans. It was felt that it was already a challenge to encourage people who have lived a life on low skills to get trained for a better job (when the aspiration for some is only to ‘get a job’) – and there is no developmental system in place to help with the transition towards taking out loans.

Interactions with the benefits system

The issue of the interaction of training, in-work progression and the benefits system was highlighted by some consultees. One noted that in some circumstances workers might not consider it worthwhile to train for what they perceive as a limited pay increase – once withdrawal of in-work tax credits have been taken into account.

Schools

It was noted by many consultees that the funding system for schools promotes a concentration on academic qualifications (i.e. GCSEs grades A*-C) and also on maximising the number of students (given that ‘funding follows the learner’). From a school perspective there was considered to be limited scope for adapting subject provision to take account of feedback from employers, given exam board/curriculum requirements. There was some realisation on the part of an interviewee from the school sector that employers sometimes get frustrated that schools are ‘unresponsive’, when the reality is that they have Government/funder requirements that have to be met.

Raising of the Participation Age (ROPA)

There was a feeling that ROPA had caused confusion, with many young people believing that they had to stay at school. It was reported that it was in the financial interests of schools to have students stay at school, rather than giving students an impartial view of opportunities available because of the funding advantages to schools of retaining learners. Nevertheless, the number of 16-18 year olds in FE colleges was reported to have risen as a result of ROPA, but this had placed pressure on the system on the grounds that

previously those attending FE college had chosen to go there, whereas a proportion of 16-18 year olds now attended because they “had to do so” because of ROPA.

The drag of schools’ responsibility for IAG

There was a view that although national government is promoting apprenticeships as a means of vocational learning, apprenticeships tended not to be promoted in many schools because of lack of effective IAG and funding advantages of retaining learners in schools.

Local competition, multiple provision and sub-optimal outcomes

Related to the point above, the fact that ‘funding follows learners’ was considered to lead to some unhelpful competition between schools and FE colleges, so leading to a sub-optimal outcome for learners who are not necessarily encouraged to study at institutions best suited to them. There was also seen to be a competition amongst schools, with free schools, academies and University Technical Colleges (UTCs) being in “direct competition” with other schools in a school system lacking cohesion.⁶⁶ There was a view

⁶⁶ The Black Country UTC in Walsall – specialising in engineering skills - announced its impending closure in summer 2015 in April 2015, due to a lack of pupils and with an ‘inadequate’ OFSTED report, suggesting a disconnection between supply and demand in the local skills system.

from consultees that having multiple providers was not a route to higher quality provision, but rather greater rigour and responsiveness were fundamental.

Apprenticeships

The value of apprenticeships was recognised widely, with local authorities, social enterprises,⁶⁷ FE colleges, private training providers, the Skills Factory, industry organisations, etc., all active in promoting them to employers and/or individuals. However, there were some concerns that at times apprenticeships were being promoted at the expense of other pathways. At the lower skills level, there was a concern that the promotion of short apprenticeships at lower skills levels had devalued the brand, while at higher skills levels higher apprenticeships were being promoted at the expense of degree courses – when each has their place. Relatively low apprenticeship salaries were seen as a disincentive to take-up amongst young people living independently, when a job with worse long-term prospects would pay more. Also, for young people whose aspiration is to ‘get a job’ rather than to ‘get a better job’, apprenticeship wages may seem unattractive. There was general recognition of the particular challenge of getting small employers to engage with apprenticeships – with the “confusing picture” of different models and delivery arrangements contributing to this.

Skills Delivery

Beyond the Black Country

Some consultees highlighted that it was important to look beyond the Black Country to the broader geographical area of which the Black Country. In terms of high value manufacturing the Black Country is part of the wider West Midlands hub of ‘engineering excellence’ - encompassing Warwick, Coventry, Solihull, Birmingham, the Black Country and Stafford, and economic strength in this wider area was considered to be good for the Black Country; after all business links do not accord with administrative / LEP boundaries.

While it was acknowledged that the local skills system needs to serve local needs as far as possible, there was a view that in terms of skills development for use of cutting edge technologies, Black Country businesses do, and should, access the best of UK ‘national assets’ wherever they are located (e.g. at universities in London, the north of England, Scotland, etc., as well as the Midlands).

Some employers in the Black Country whose establishments are part of national chains may find themselves restricted to framework suppliers in their choice of where they can

⁶⁷ For example, see a ‘Ladder for the Black Country’ <http://www.ladderfortheblackcountry.co.uk/>

purchase training. This means that some employers may look beyond the Black Country to access training, even if suitable provision is available locally.

The role of local authorities

The role of local authorities in the local skills system was seen largely as one of brokerage, drawing on a wealth of local knowledge about employers, the skills system and the population. Local authorities are trying to address problems of relatively high unemployment, a low skills base and employers with limited horizons. The skills base is recognised as being central to the economic regeneration remit of local authorities. Hence funding constraints on training for adults with low skills was of particular concern for local authorities.

Where there are new developments local authorities are active in organising pre-recruitment training (e.g. for large supermarkets, inward investors, etc.), so that local people are well positioned to take the jobs that emerge. Local authorities try to make such connections with employers as early as possible. Pre-recruitment training (procured from FE colleges and private training providers) is used to target NEETs and also adults with low skills so that they may be considered for new jobs.

As large local employers local authorities have been active in recruiting and promoting apprenticeships themselves and also encouraging other employers to do so. Local interventions, such as Walsall Works⁶⁸ and the Sandwell Guarantee⁶⁹, have been used to tackle youth unemployment, including through placements in apprenticeships and traineeships, and use of wage subsidies.

The University of Wolverhampton

The University of Wolverhampton is the only university in the Black Country. It has 23 thousand students spread across three main teaching campuses in the UK – in Wolverhampton, Walsall and Telford (to the west of the Black Country on the M54). The University has a strong reputation/ tradition for working with business and exploiting knowledge transfer opportunities, predominantly regionally – and this was endorsed by interviewees. The majority of students are recruited from the sub-region. The University has been awarded £4 million government funding to support small companies to become more competitive through Regional Growth funding.

While graduate employment has always been a priority, it has become even more so since the introduction of tuition fees. Over the past three years, the university has radically changed its approach to graduate employability. The key features of the new approach

⁶⁸ http://cms.walsall.gov.uk/walsall_works

⁶⁹ <http://www.scvo.info/sandwell-guarantee/>

are that all students are expected to take a work experience placement as part of their course; the aim is for them to get direct experience of the particular sector they want to work in following graduation. During their programme of study, they not only study the academic discipline, but also work towards an 'employability award'; this focuses on 'softer' work-readiness skills. As they move towards graduation, the University works with students to develop their CV, identify work opportunities and in some cases also arrange interviews. Graduates who are still unemployed three months and six months after graduation are invited back into the university where they can speak to an advisor and get connected with potential employers. Support is offered to graduates to start their own business as part of a 12-month programme, during which time advice is provided on the business idea, legal and HR guidance and support, as well as a desk and office facilities at the University of Wolverhampton Science Park. All courses have an association with a professional body to ensure that the content of programmes are relevant to the needs of employers. Each faculty has an employers' board where senior personnel from businesses provide advice and guidance on course content, changes taking place in the industry, etc.

The University has a close working relationship with the Black Country LEP. This connection was reported as resulting in the University having a much better understanding of the skills issues facing the region, which is informing decisions regarding provision. The University is looking to increase the number of graduates in this discipline over the next five years to cover automotive, aerospace, food and chemical engineering industries. The investment was reported as being in direct response to input/intelligence from business partners and the LEP on where they see demand for skills in the future.

FE Colleges

There are six FE Colleges in the Black Country: Birmingham Met College (Stourbridge campus), Dudley, Halesowen, Sandwell, Walsall, and Wolverhampton.

For FE colleges OFSTED reports – on quality of provision and financial sustainability- can be one key driver of change. It was noted that there is huge financial pressure on FE colleges to be financially sustainable as some traditional funding sources are reduced. This means ensuring quality and saleability of courses.

In a changing funding environment interviewees from colleges reported how they were seeking to change the profile of provision. For one FE college the reduction in the adult skills budget meant that courses paid for by the customer (i.e. employer or individuals) are viable, as are courses funded by 24+ loans at Level 3 and above (and hence greater effort was being put into marketing 24+ loans). Effort was being made to grow apprenticeship provision also. Direct delivery of training to employers was also identified as a 'growth area'. Colleges reported have made investments to support such activity and were more actively asking employers about their needs and designing courses to meet those needs.

One consultee specifically spoke of targeting large employers (both locally – in order to address local skills gaps, and then using their activity with such large employers – which underscored their credibility - to promote themselves to other employers. There were also reports of greater involvement of employers in course design across the full spectrum of delivery (as in the case of the University of Wolverhampton). There was also greater emphasis on visits to employers and looking to employers to recruit from the student body.

As well as an increasing focus on meeting employers' needs, FE colleges also emphasised the importance of delivery of basic skills, pre-employment training, etc.

Three key questions arising from the consultations with FE colleges and other stakeholders concerning FE provision in the Black Country (but which have resonance beyond) were:

- **the balance between competition and collaboration between FE colleges** - since FE colleges are independent businesses it is not necessarily in their own organisational interests to direct learners and employers to their competitors where alternative options (which might be more suitable for the learner/ employer) are available. It was noted that whereas the Learning and Skills Council had strategic discussions about provision and gaps therein, the SFA was not a "*planning organisation*" and there are not strategic discussions in the same way about 'what works' for the benefit of the local area;
- **specialisation – and practical implications** - while the logical outcome of a reduced Adult Skills Budget would be specialisation by FE colleges, specialisation would also require more travel by students, as they might no longer attend their local college. This was seen as presenting logistical challenges, given congestion within the Black Country. It was noted that specialisation works best where there are good public transport links. It was also acknowledged that specialisation is likely to work better at higher skills levels;
- **what is a local college for?:** - it was noted that historically local colleges had served local learners. For those individuals with no/ limited success in learning during compulsory schooling, local outreach was deemed very important in order to engage learners in the first instance, so that they could 'learn how to learn'. It was suggested that the relatively low levels of aspiration and expectation in the Black Country meant that it was necessary to 'take learning to the learners'. Here there was particular concern about the reduction in the adult skills budget and implications for social mobility.

The Skills Factory

The Skills Factory⁷⁰ is an employer-led education and training collaboration coordinated by the Black Country Consortium Ltd with initial funding via the UK Commission for Employment and Skills (which ended in March 2015; further funding was obtained thereafter under the Futures Programme – Management and Leadership in supply chains and networked organisations). The Skills Factory focuses on the high value manufacturing sector in the Black Country through three main project strands: first, upskilling the existing workforce; secondly, Increasing the number of Black Country high value manufacturing SMEs taking on apprentices; and thirdly, schools engagement.

The Skills Factory started out by mapping existing provision, identifying and understanding the gaps therein and developing/ testing potential solutions to address these. A key focus was on developing employer-led bite-sized chunks of training, covering a range of specialisms. The Skills Factory is small in scale, so training is delivered in conjunction with larger existing specialist training providers and colleges in the Black Country (i.e. the Skills Factory plays a signposting and brokering role in identifying and arranging suitable training).

There was a general consensus that The Skills Factory has been successful in exposing gaps and duplication in provision and in filling such gaps through independent co-ordination of provision and bespoke courses for small numbers of participants. The Skills Factory was also considered successful in building up a concentration of knowledge on workforce skills requirements and training provision in the manufacturing sector. There was some desire for expansion of the model to other sectors.

Skill Up

The European Social Fund (ESF) monies are part of the portfolio of skills funding for training providers. In the Black Country the FE colleges have come together to secure funding from ESF for the Skill Up initiative, which provides short modules of free training for employers to access short units of training have been offered in areas such as Business Administration, Health & Social Care, Customer Service, Engineering, ICT, Manufacturing and Building Technologies. They deliver industry-specific courses (designed to meet employer needs) and basic literacy and numeracy skills for workforces of small and medium employers. Where possible, training is delivered on employers' premises.

⁷⁰ <http://www.blackcountyskillsfactory.co.uk/about-us>

Talent Match

Talent Match is funded by the Big Lottery Fund⁷¹ and focuses on youth unemployment, especially long-term youth unemployment. It is a £108 million 5 year initiative, focusing on 21 local areas in England. Talent Match Black Country⁷² (for which the Wolverhampton Voluntary Sector Council is the Accountable Body) has the greatest single financial allocation (initially £10.3 million) of any Talent Match area in England. This has provided Talent Match Black Country with a considerable local profile.

It targets young people aged 18-24 who have been out of work, training or education for at least 12 months and who require additional support to overcome specific barriers to employment. The project works with non JSA, as well as JSA claimants to improve skills, confidence, motivation, provide work experience, volunteering and job opportunities. Talent Match sits alongside and relates to existing services, so enabling it to provide insights into the efficacy of those services. It aims to be part of the local ecosystem.

The uniqueness of the Talent Match approach it is that young people are involved in co-design of interventions. Working throughout the Black Country with 'hubs' based in each of 6 talent match zones, the initiative was designed initially to work with just over 1,400 young people who have been NEET for over 12 months. The outcomes set out in the initial business plan were: 21.5 per cent of young people into employment (including self-employment), 30 per cent into volunteering, 30 per cent into work experience, 80 per cent into training and 100 per cent with increased confidence and motivation. The Talent Match approach is one of providing intensive personalised support via mentoring to help young people towards education, training and employment.

Working Together

Emanating from the City Deal and funded with monies from the Cabinet Office and DWP, Working Together⁷³ is a saturated intensive 1:1 support initiative for non-employed adults facing deep-seated problems, building upon a geographical saturation model from the US, addressing community and cultural barriers to employment. It is a 5 year pilot project testing how to reduce welfare dependency and increase employment. It aligns with Troubled Families and Help to Work programmes. The Accountable Body is Walsall Council, but the project is led by the Accord Group (a housing and social care organisation). The project is being implemented from April / May 2015 in four defined geographical areas (wards) – one in each of the four Black Country boroughs. The target group is economically active and long-term unemployed adults in social housing, who are

⁷¹ <https://www.biglotteryfund.org.uk/talentmatch>

⁷² <http://wolverhamptonvsc.org.uk/our-projects/talent-match/>

⁷³ <http://www.the-blackcountry.com/about-us/making-it-happen/black-country-city-deal>

being provided with intensive employment support services and repayable financial incentives to overcome costs associated with starting work.

The project has links to other provision in the area and so the emphasis is on utilising 'multi agency' partnership approach to tackle social and economic problems. It is intended to maximise links to high value manufacturing and other growth sector opportunities available locally. The project is mapping the 'employment journey' of individuals, including acquisition of skills to move into employment. The project targets are to engage with 2,800 people and move 900 into employment, so reducing the welfare benefit bill by £1.1 million, while leading to an increase in wages and taxes.

The direction of travel

There was a general view that in terms of the general direction of travel the local skills system was becoming more responsive to the needs of employers and the wider economy than it historically had been, although there was still some distance to go. It was felt that they had enhanced the relevance of their provision for employers – at least to some extent. From employers there were examples of responsiveness of training providers and colleges to their concerns and about a willingness to understand and try and meet their needs. However, there was also a view from some employers that the skills funding model meant that overall it remained the case that courses were designed to maximise potential funding to providers.

Despite the movement towards greater employer responsiveness noted above, it was felt that the employer ownership of skills agenda still had a long way to go. In part this was because the amount of "bureaucracy" and "jargon" entailed in the employer ownership agenda, such that it was "fine" for large employers with the resource to deal with it, while for SMEs it was "a complete switch off".

There was a view that the local skills system was struggling to have the co-ordination capacity to help businesses – and then having the flexibility to reflect the skills needs of SMEs in particular.

Partnership working in the Black Country

The Black Country Consortium and LEP

Established in 1999 as a private company, the Black Country Consortium has provided an advocacy function for the Black Country and has been a forum for the co-ordinating economic and skills issues across the four Black Country local authorities. In 2003 a series of visioning events bringing together civic, educational and community interests, a

30-year vision for the Black Country was set out.⁷⁴ The subsequent Black Country Study in 2006⁷⁵ brought together evidence for the formulation of a Joint Black Country Core Strategy by the four Black Country Local Planning Authorities. It was intended that this would be an operational tool for a range of agencies to drive physical, social, environmental and economic transformation collectively in the Black Country over the subsequent 25 years. The strategy was concerned with changing the socio-economic mix, reversing population decline and growing income levels.

While the Black Country Consortium was a formal partnership, it was also seen as a vehicle that had promoted informal partnership working. In the context of this local skills study, the general consensus was that the local authorities in the Black Country “get partnership working”. The history of sub-regional working, including working together to make the strategic choices underpinning the Black Country Study, was considered to have led to trust and understanding, and a willingness to work together at Black Country level.

Through the work and concerns of the Black Country Consortium there was an existing recognition of the need to work together on employment and skills. The LEP was considered by some consultees to provide a ‘new dynamic’ and renewed impetus to working across administrative boundaries, to align corporate plans, and then fill gaps. There was a view that the LEP has helped local authorities to better understand the barriers to growth from a business perspective and to value specialist sectoral experience, alongside pre-existing concerns previously were with place-making, regeneration and social inclusion. As such the LEP was recognised as a helping to influence reorientation of skills provision towards the needs of employers. However, due to limited capacity, the reach of the LEP was recognised as being limited.

During the course of the study partnership working became more oriented towards the West Midlands Combined Authority⁷⁶ – comprising three LEPs.

Broader formal and informal partnership working

Most consultees emphasised that they valued partnership working. However, they recognised that it was “continually evolving” as organisational needs and levels of resources changed. Staff reductions in some organisations meant that there was a need

⁷⁴ http://www.the-blackcountry.com/Upload/Black%20Country%20Study/Black%20Country%20Vision_%20Looking%20Forward%20_the%20Black%20Country%20in%202033.pdf

⁷⁵ <http://www.the-blackcountry.com/Upload/Black%20Country%20Study/BC%20Study%20PDF%20version%20Full%20Final%20Report.pdf>

⁷⁶ The West Midlands Combined Authority issued a launch statement in July 2015 and in November 2015 was in receipt of a devolution deal – see <http://www.westmidlandscombinedauthority.org.uk/assets/docs/WestMidlandsDealDocument.pdf>

to prioritise partners on the basis of how 'business critical' they were and this might have implications for the frequency and nature of contacts. Partnership working tended to be valued for the opportunities to make links/ broaden awareness of organisational agendas.

Partnership working was often wide-ranging, as exemplified by an FE College's partnerships with employers (including 1:1 contracts with individual employers to provide training), the LEP, the City Council (including through provision of pre-employment training), schools (facilitating provision of IAG), Universities (through provision of sub-degree places for foundation degrees and HNDs) and a local football club (as a lifelong partner to engage the community in basic skills learning).

Historically it was considered that there had been a good deal of informal working, partly engendered by the Black Country Consortium. There was a view that reductions in staffing across organisations mean that informal working had reduced: with less funding there is less time to do anything outside of formal meetings. Such a demise was considered to have weakened partnership working overall, such that partners/ players in the local skills system had become more 'atomised'. However, some interviewees spoke positively of the power of informal networking in engendering links between policy initiatives, alongside more formal partnership arrangements.



Department
for Education

© Crown copyright 2017

Reference: DFE- RR673

ISBN: 978-1-78105-741-4

This research was commissioned under the 2010 to 2015 Conservative and Liberal Democrat coalition government. As a result the content may not reflect current Government policy. The views expressed in this report are the authors' and do not necessarily reflect those of the Department for Education.

Any enquiries regarding this publication should be sent to us at:

www.education.gov.uk/contactus

This document is available for download at www.gov.uk/government/publications