

DRAFT REGIONAL FUNDING ADVICE – SKILLS CHAPTER

This advice sets out the priorities for skills and employment for the South West to the year 2019. This advice has been guided by the Regional Economic Strategy (RES), the LSC Statement of Priorities and the Regional Skills Partnership Statement of Priorities.

Skills and Employment

During the CSR period, the key priorities for the RFA skills investment are:

- Helping business to avoid making redundancies
- Helping people at risk of redundancy
- Helping those who are made redundant who cannot easily find a job
- Helping people who are new entrants to the labour market
- Helping those further from the labour market that are at risk of being pushed further from employment.

The skills and employment priorities for the medium to long term priorities, up to 2019 are:

- Meeting the Leitch Targets
- Developing the capacity of the skills and employment infrastructure
- Investing in leadership and management skills
- Developing an entrepreneurial region
- Developing the skills to increase innovation and creativity within the SW economy
- Ensuring that the skills needs of the regional economy, and in key sectors in particular, are addressed at intermediate and higher levels
- Supporting the further integration of employment and skills
- Green skills
- Information, advice and guidance.

1. Summary of Evidence

- In the short term, tightening credit is having an adverse effect on labour market conditions, although the duration and intensity of the down-turn are unknowable.
- While the South West still enjoys the lowest unemployment in the English regions, the latest claimant count shows a significant increase. The regional claimant count has been rising for the last seven months, to 49,400 (highest since 2006)¹ and has been accompanied by a decrease in vacancies - a drop of 11.5% between July and September 2008, compared with the same period last year. Unemployment rates vary significantly across the region and by age group². Nevertheless, the South West labour market remains healthy³.
- Job losses have been reported in education, engineering, house building, printing and manufacturing. Financial services, construction, tourism and leisure are predicted to be increasingly affected.
- At regional level the South West skills performance is generally positive. However, a key feature of the South West labour market is that the positive regional picture disguises considerable intraregional diversity⁴. Whilst compared with other regions the South West is a highly skilled region⁵, significant progress will be required to meet the Leitch Intermediate and 2020 targets. Skill shortages have been experienced in key sectors, although some of the sectors affected are also those suffering job losses.
- Demographic change is a significant feature of the future demand for skills in the region. The next five years, will see the number of 15 to 19 year olds living in the region drop by 1% per year, whilst the working age adult

¹ These figures are based on the regional claimant figures from JC+. The South West has the lowest claimant rate compared with the other regions – 1.5%, compared with the highest in the North East at 4%. The Labour Force Survey (Q2 2008) also records us as having the lowest unemployment rate nationally (3.9%).

² SW Unemployment Briefing, JC+/SLIM

³ Unemployment Briefing, SLIM

⁴ LSC Strategic Analysis 2008, LSC (unpublished)

⁵ South West Healthy Labour Market Review, 2008, SLIM

population is predicted to grow by 1% per year. A remarkably large proportion of the South West's adult population growth is driven by immigration, much of it international. However, overall inflows of migrant workers to the South West appear to have declined in 2007/08 relative to the post accession peak in 2006/07.

2. Current Strategic Focus

This advice is drawn from a range of strategies and operational plans that underpin the skills and employment agenda in the region.

The Regional Skills Partnership (now the Regional Employment and Skills Partnership (RESP)) Statement of Priorities 2007 is based upon an assessment of the needs of employers and the economy and builds upon the previous South West Skills Strategy. It is aligned with the key priorities identified within the South West RES. The Statement sets out those areas that are priorities for the Partnership to work collectively to address. It has identified the following priorities for investment: leadership and management skills; enterprise skills; sector priorities and higher level skills; and developing the skills to increase innovation and creativity within the South West economy. The establishment of a Sector Operations Group ensures an integrated approach to interpretation and implementation of Sector Skills Agreements produced by Sector Skills Councils (SSCs). The Sector Operations Group allows the region to realise the added value to be achieved by joint working among SSCs and partners and ensure the alignment of funding streams.

The Learning and Skills Council (LSC) is tasked with:

- Increasing the proportion of people of working age achieving functional literacy and numeracy skills
- Increasing the proportion of young people and working age adults qualified to at least full Level 2 and 3
- Increasing the proportion of Apprentices who complete the full Apprenticeship framework
- Better integrating employment and skills
- Reducing the percentage of 16-18 year olds classified as "Not Engaged in Education, Employment or Training".

For the CSR period the key priorities for the LSC will be⁶:

- Meeting the needs of young people
- Improving adult skills, and
- Reforming the FE system.

The RDA provides leadership directly, and through the RESP, to influence the decision making of the mainstream funders and providers. It also makes interventions in line with their strategies. Research shows clearly where mainstream provision is not meeting the needs of business and where collective action could make a difference. This has led to the focus for the RESP (see above). The RDA also plays a role in:

- Regional Strategy
- Demand led vocational Higher Education (HE)
- Strategic companies/strategic sectors
- Leadership and management development
- Pre-19 education/future workforce development (STEM)
- Promoting employment in priority places
- Widening participation in priority places.

The region currently qualifies for European Social Funding. The Cornwall and the Isles of Scilly Convergence Structural Fund programme covers the period 2007-13. Other parts of the region also qualify for funding under the Competitiveness and Employment Objective. Partners in the South West, led by the RESP, prepared analysis and strategic priorities, based on the RES and the RESP Strategic Priorities, to provide a framework for this European funding. Employment and skills priorities are co-financed by Department for Work and Pensions (DWP), working through Jobcentre Plus and Learning and Skills Councils. The Convergence Structural Fund programme, is also linked to the sub-regional economic strategy, "Cornwall Strategy and Action".

⁶ LSC National Statement of Priorities, 2009-10, DIUS/DCFS

Within HE there is a regional commitment to widen participation to higher education and address low levels of vocational progression and progression from the workplace to HE.

3. Linkages to national priorities

The priorities identified within this advice align with the priorities set out in the LCS Strategic Priorities 2009-10 (awaiting publication as at the time of writing) and the Leitch implementation plan, "World Class Skills Implementation the Leitch Review of Skills in England" 2008.

4. Linkages to other blocks

Recent reviews in relation to climate change, housing, transport and sustainable development and communities all point to the importance of skills in delivering these agendas. The Regional Skills, Enterprise and Employment Analysis 2007 reviewed these documents extensively.

This section will be completed once the transport, housing and regeneration and economic development investment priorities are known.

5. Priorities during the CSR Period (Response to Current Economic Crisis)

Regional partners have an important role in equipping the region to withstand the current economic crisis, whilst maintaining medium to longer term priorities. Critical to this will be maintaining and developing the skills base of the region as and when economic conditions improve. Whilst there are early signs that employers are increasingly reluctant to invest in skills, the current economic climate also offers opportunities to engaging more learners to re-skill and up-skill. Both those seeking work and those facing the prospect of redundancy may be more inclined to train to improve their position in a precarious jobs market.

The Regional Economic Task Group and RESP have been working to consider the response of the region in relation to skills and employment. The following issues have been highlighted as being required if the region is to respond effectively to the current economic crisis.

- European Social Fund - due to Sterling exchange rate fluctuations there is additional headroom in the European Social Fund budget. We would like DWP to agree that it can be used to target regional (rather than national) priorities and would use this to increase support to those made redundant. Should this occur in future the region would wish to be able to use additional funding to meet regional priorities.
- Jobcentre Plus(JCP) - existing capacity has been stretched. Funding to recruit additional staff has been made available and work is underway to review the current estate capacity. Some national easements to existing processes are also expected, but it is likely that competing pressures to meet all current performance areas will create a strain within the organisation.
- Further Education (FE) Funding - stability is also required in FE funding regimes. More flexibility will also be required to enable the region to meet sectoral and economic need. We acknowledge the move towards the credit transfer by 2010 and welcome the new policy for funding to support bite-sized chunks of learning in business-critical areas, as a result of the economic downturn. However, we believe that there may be scope to extend this further to encourage employers to engage in training.
- SSCs - greater funding flexibilities are also sought for SSCs to provide the capacity to engage with business and provide a link with providers to ensure the appropriate scale and relevance of provision. We would wish to see the pace of SSC compacts further accelerated.
- Apprenticeships – more incentives are required to encourage employers to take on and retain apprenticeships. Additional resources will be required to support preparation activities prior to the apprenticeship.
- Skills for Life – consultation with business shows that one of the most important issues for business is that the existing workforce and new entrants have good literacy and numeracy skills. Good employability skills are also critical for those new to the workforce. Additional resources are required to ensure that this is delivered.
- STEM Teaching – opportunities may be presented by the short term economic crisis to encourage more people into teaching as a career. A targeted and well-resourced campaign to encourage skilled individuals into teaching STEM subjects is therefore needed. This needs to be accompanied by the provision of additional teacher training places for the region to meet the new demand.

In addition we propose the following flexibilities and initiatives to:

Help business to avoid making redundancies

- We propose support for employers to develop labour pooling activities, to enable the sharing of labour and skills.

Helping people at risk of redundancy

- We welcome the increased flexibilities introduced to the Train to Gain programme to enable the programme to support training for new jobs. However, additional flexibilities may be needed in future to meet demands arising from the adverse economic conditions. We also propose that Government consider increasing the public sector subsidy – from 60% to 80%.
- Market and promote skills accounts more proactively – people need to be aware there is government provision available for training. The South West Region would wish to see full pilot coverage from 2009/10.
- Provision of Information, Advice and Guidance services (IAG). An interim Next Steps service has been put in place prior to the roll out of a new national service within the SFA in 2010. National delivery needs to be speeded up in the context of the current economic crisis and current provision needs to increase in the interim. The role of SSCs in providing labour market information to support IAG needs to be recognised and resourced.
- Apprenticeships - We are concerned at the possibility that apprenticeships may be at risk if employers are making redundancies. We would therefore support the establishment of groups of Group Training Associations to host apprentices and enable them to complete training. We propose that government loosen the employed status requirements surrounding apprenticeships and provide wage cover and administrative support funding to businesses to make it happen.

Helping those who are made redundant who cannot easily find a new job:

- We understand that consideration is being given nationally to:
 - Reviewing JSA entitlements so that people can access support from the beginning of the claim (i.e. not 6 months after unemployment)
 - Reviewing the 16hr training rule in JSA.
- We would strongly support such moves.
- Consider additional resources for social purpose organisations who are specialists in helping people with labour market advice (particular those that focus on hard-to-reach groups).

Helping those who are new entrants into the labour market:

- We recognise that people who have recently qualified may not have the necessary work experience to get a job during an economic downturn.
- Additional support will be required to improve the basic employability skills of new entrants (including literacy and numeracy skills) to ensure that they can compete effectively in the labour market.

Helping those further from the labour market that are at risk of being pushed further from employment:

- We recognise that a range of groups that currently face barriers to the labour market may see their position worsen as unemployment rises.
- Additional support may be required to ensure that those furthest from the labour market are not further disadvantaged.

6. Degree of alignment of skills funds

The funding streams covered by the RFA are essential but, on their own, insufficient to meet the challenges we face in meeting the Leitch targets and the needs of the regional economy. Significant areas of public sector intervention in the South West, critical to the success of our integrated strategy, are currently reserved to national decision-making and prioritisation. For instance, funding for HE is not currently within the scope of this advice. We believe, however, that in order to meet the challenges faced by the region the scope of the advice should be extended to include higher level skills. This advice therefore proposes priorities which include higher level skills.

The South West therefore invites Government to consider the scope for greater devolution and/or regional influence and advice in these areas, given their importance in meeting our strategic aims, and the diversity of needs in the

South West. Greater flexibility of delivery within a national policy framework would reinforce our ability to tailor interventions to meet local and sub-regional differences within the region

Infrastructure and capacity

The RESP has developed a relationship with the formative local Employment and Skills Boards (ESBs). The current arrangements include: mechanisms for ESBs to feed into regional strategy; offer for the RESP to contribute to the needs of local ESBs; sharing information and intelligence; and, particular support for ESBs around sectors.

Local ESBs are at different stages in their development, thus the process of sub-regional/regional alignment is at an early stage. We would welcome further investment and support for capacity building, to ensure that this relationship is effective. The process of local authority clustering around 14-19 provision should also be encouraged to align with local ESBs.

A strong skills infrastructure will be critical to the delivery of our objectives. At present, whilst the South West benefits from National Skills Academies, there are no hubs of national importance in the region. We believe that such an investment would enhance regional capacity.

Particularly in light of the proposed "Machinery of Government Changes", regional partners are keen to build upon the stability of the existing structures and ask that no further changes take place in the skills and employment infrastructure.

Finally, the region needs the ability to respond rapidly and flexibly to the current economic crisis and beyond and ensure longer term alignment of funding streams. Flexibility of funding streams will be critical in this respect.

Medium and longer term priorities

Whilst the short term economic conditions provide cause for concern and the need for a strong regional response, it is critical to look to the medium and longer term skills priorities for the region. Clearly, meeting the Leitch targets will be of primary consideration and the region is committed to ensuring that the targets are met. However, we also propose a stronger commitment to developing intermediate and higher level skills and their application within the workplace. This will be the means by which to create the conditions for a more competitive regional economy.

A range of critical factors will be driving the skills and employment priorities in the longer term: demographic factors – a higher proportion of older workers and lower numbers of young people in the labour market. Globalisation – the need to compete in a globalised market place in the wake of the global financial crisis; and, industrial change – as the nature of our industrial base changes and adapts, predictions suggest a move to higher level skills.

We propose the following priorities:

Investing in Leadership and Management Skills -investing in leadership and management is the most effective strategy for improving skills utilisation and productivity. The region also has significant skills gaps in this area and there is evidence to suggest that there is a downward trend in the numbers of leaders and managers undertaking training. Investment in Leadership and Management skills is therefore a priority for the region.

Developing an entrepreneurial region- a strong entrepreneurial base is an essential driver of growth and prosperity in a modern economy. The South West has the highest proportion of small enterprises of any region in the UK, coupled with significant levels of self-employment. Effective support for new and existing business is therefore one of the key tools for supporting increased productivity. In order to build a sustainable enterprise culture, investment is needed in the development of enterprise skills, over and above the Business Link offer.

Developing the skills to increase innovation and creativity within the South West economy - creativity skills support the generation of new ideas and innovation ensures their exploitation. Both support economic competitiveness, growth and regional prosperity by acting as the 'transformational element' in the economy. Closely related to creativity and innovation are science, technology, engineering, and mathematics (STEM) skills. Raising the demand for these skills is therefore critical.

We propose support for measures to improve performance in these critical areas to improve take up in these disciplines from school to higher education. This includes investment in the establishment of centres of excellence, combining creativity, technology and business teaching. We would also like to see an initiative aimed at recruiting potential teachers in STEM subjects (see above).

Ensuring that the skills needs of the regional economy, and in key sectors in particular, are addressed at intermediate and higher levels - whilst the South West has a highly qualified workforce, projections of future demand show that supply will need to increase at intermediate and higher levels and that this must largely be met by more people currently in the workforce acquiring such skills. The Leitch Review endorses this, proposing a shift to Level 3 and higher level skills.

The supply of intermediate and higher level skills in the region will need to improve to meet predicted demand for such skills and the provision of higher level skills needs to be better linked to regional priorities. We also believe it is critical to seek to encourage higher-level vocational skills development, by ensuring that regional skills objectives are clearly embedded in the regional priorities established for HE. A joined up approach to the provision of higher level skills from Level 4 and above is needed if higher level skills are not to fall between two stools. Activities such as the Lifelong Learning networks that have been supported in the region have an important role to play but further investment is required, particularly in light of the Higher Level Skills consultation. We believe it is necessary to provide the resources and facilities to deliver new models of delivery for work-based higher level skills, including bite-size learning, for the workforce.

Integrated Employment and Skills – we welcome the Government's commitment to integration of employment and skills. Joint working is already underway to support the move towards IES. For example the work between JCP, LSC and Cornwall and Devon Connexions to make a success of the Next Step contract - the forerunner to the Adult Advancement and Careers Service. JCP and LSC also have a joint work agreement in relation to the use of the ESF monies.

Green Skills – the climate change agenda requires energy conservation and the development and deployment of renewable energies. Within the South West RES, Environmental Technologies (including Renewable Energy) is identified as one of the eight priority sectors selected for specific intervention. The South West has the potential to be at the centre of such a development and could create green collar jobs, benefiting the economy and bringing real benefits in terms of sustainable environmental policy. Substantial investment will also be needed in the development of the skills base to sustain this.

Information, Advice and Guidance – good quality IAG will be vital in ensuring that learners make effective choices. More provision is required to meet the needs of individuals and the economy and this needs to be of good quality and appropriate. Investment in this area is therefore a priority.

Sub regional advice

Awaiting outcome of local authority consultation – 25th November.

7. Key outcomes to be achieved

The RSP Statement of Priorities set the following objectives, aligned to the Regional Economic Strategy, all of which are closely linked to the region's competitiveness. They are:

- **Productivity** – to ensure that South West businesses have access to the right skills and business practices to improve their productivity.
- **Progression** – to ensure the availability of effective routes for progression to enable people to maximise their potential within the workforce, addressing issues of equality and diversity.
- **Sustainability** – to ensure that the development of the region is sustainable, maximizing the impact of the public resources that are deployed, encouraging investment by individuals and businesses, and planning for the future.

Progress towards outcomes will be monitored as part of the RESP Performance Monitoring Framework, to which all relevant partners contribute.

8. Evidence

The following evidence is referenced and can be attached in support of the advice.

- South West Regional Skills, Enterprise and Employment Analysis 2007, SLIM
- South West LSC Strategic Analysis 2008 (not yet available but will be by the time this is submitted – currently have the summary document)
- Healthy Labour Market Review 2008, SLIM
- Unemployment Briefing (this is being produced for the RESP Board using JCP latest analysis and some wider analysis of the unemployment figures etc)
- Consultation evidence – a short note on the outcomes of the consultation process with local authorities, college principals, SSCs and the Skills Consultation event.