Skills

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Summary

Skills are one of the key drivers of productivity. The West Midlands performs relatively poorly on several key skills indicators (where qualification attainment is used as a proxy) and the employment rate is lower than the national average. If growth in the West Midlands is to be inclusive policy attention needs to focus on achieving more and better quality jobs and addressing skills deficiencies faced by employers.

The complexity of the skills system and ongoing changes therein – especially with regard to technical and vocational training, together with a funding landscape of loans and levies, presents a challenge to individuals and employers, making it difficult for them to navigate. Devolution offers some new opportunities for WMCA and partners to help shape the system to make it more responsive to the region's needs.

Recommendations:

1. Within the Regional Skills Plan identify a series of actions aimed at *driving up engagement for a specified set of sub-groups characterised by low labour force participation rates*. These would build on the work of WMCA's DWP-funded Employment Support Pilot, adopting a 'geographical saturation' approach in testing the value of utilising social networks and social capital in removing barriers to paid employment.
2. Use the Regional Skills Plan (and subsequently information and intelligence from the Skills Advisory Panel) to develop an *employer engagement strategy* drawing together existing local authority, LEP and sector-based initiatives in the region.
3. *Create and support a FE-HE partnership* based on existing FE and HE sector groups to help: (1) increase the take-up of higher levels skills programmes, particularly apprenticeships; and (2) improve progression in technical education from levels 2-5, focusing in particular on the 15 pathways identified in the Industrial Strategy and the Post-16 Skills Plan.
4. Ensure that ongoing intelligence is gathered from employers on *digital skills needs* and from education and training providers on barriers and opportunities to developing digital skills provision, with a view to embedding digital skills across different training offers (at all levels) in the Regional Skills Plan, in sector strategies and in the Local Industrial Strategy.
5. Look to develop an *all-age careers guidance entitlement* using existing service providers and online forms of careers support.
6. Work with employers and sector bodies to *improve job quality in high employment low-wage sectors*, and *target* marketing of *medium and high level skills development programmes at employees in high employment low-wage sectors.*
7. Alongside programme monitoring and impact evaluations, look beyond quantitative indicators and models predicated on economic rationality to *qualitative case studies and behavioural insights research* to gain enhanced understanding of the behaviour of individuals, employers and training providers. Specifically this could include consideration of behavioural insights research in evaluations of programmes - to shed light on low take up of certain types of training, learners' behaviour in terms of choice of courses and subsequent destinations, etc.
8. *Monitor the impact of Brexit* – especially on 'migrant dense' sectors and occupations – and work with employers and training providers to find alternative labour sources and/ or adapt jobs/ working conditions to make them more attractive.

Overview of the structure of the paper

This paper is one of a series setting out selected issues and debates regarding specific foundations of productivity. The focus here is *skills*. Workforce skills – at all levels, and whether associated with formal qualifications or uncertified - are crucial for firms' ability to put innovative ideas into practice and to increase productivity. More broadly, the OECD[1] sees "developing the right set of skills and making full use of them in the economy [as] a recipe for higher productivity growth and inclusiveness". Yet skills can only make such a positive contribution to productivity when applied in combination with other inputs.[2]

First, the paper begins by setting out the policy context for skills, with particular reference to the WMCA Strategic Economic Plan, the Midlands Engine and the Industrial Strategy White Paper published in November 2017. Secondly, it sets out the goal of achieving inclusive growth and what this means for skills and employment. In the third section the skills position in the WMCA area is outlined and responses to questions raised in a Call for Evidence in spring 2017 are discussed. This information feeds into identification of some high level challenges and opportunities facing the region. The fourth section of the paper provides links to wider skills and employment debates in order to set the discussion of skills in the region in a broader context. Issues considered here include concerns with the quantity and quality of work as captured in headline terms by the 'more and better jobs gap'; the 'good work' debate and what is valued in work; connecting people to jobs and in-work progression; and the need to look beyond the statistics in understanding behaviour. Finally, the fifth section presents some headline evidence-based recommendations.

1. Policy Context

This section sets out the policy background to the concerns of the West Midlands Combined Authority (WMCA) with skills. It considers in turn the WMCA Strategic Economic Plan (SEP), the Midlands Engine Strategy and the Industrial Strategy.

1.1 West Midlands Combined Authority SEP

The WMCA Strategic Economic Plan (SEP)[3] sets out the economic plan for a three-LEP area encompassing the Greater Birmingham and Solihull LEP, the Black Country LEP and the Coventry and Warwickshire LEP. From a skills and employment perspective a key priority action is: *Skills for growth and employment for all: ensuring the skills needs of businesses are met and everybody can benefit from economic growth*. To achieve this it is necessary to improve the balance between the skills that businesses need and the skills of local people so that they have the skills and qualifications to access jobs. This means improving the skills base and ensuring that businesses have access to the skills they require. By 2030 the targets are:

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[1] OECD (2017) *Getting Skills Right: United Kingdom*, OECD, Paris, page 3. http://www.oecd.org/unitedkingdom/getting-skills-right-united-kingdom-9789264280489-en.htm

[2] Mason G. and Rincon-Aznar A. (2015) *Skills and Productivity in the UK, US, France and Germany: a Literature Review*, Annex to House of Commons Business, Innovation and Skills Committees 'Education, skills and productivity: commissioned research, *HC* 565, The Stationery Office, London.

[3] https://www.wmca.org.uk/media/1382/full-sep-document.pdf

- Average earnings of working age population will be 13% above UK averages with the living wage as the foundation minimum wage
- Proportion of people qualified to NVQ4 or above will have increased to 36% to match the national average and the number with no qualifications will have fallen to 9% to match and then better exceed the national average
- The unemployment rate will be below the national average

1.2 The Midlands Engine

The idea of the Midlands Engine is to make the entire Midlands region (i.e. the West Midlands and the East Midlands combined) an engine for growth for the UK. The Midlands Engine Strategy highlights nationally significant clusters in the region, including advanced manufacturing and automotive.[4]

One of the key objectives of the Strategy relates to strengthening skills in order to make the Midlands a more attractive location for businesses. The Midlands Engine Strategy highlighted three key skills-based assets in the Midlands on which to build:

1. A thriving HE sector – including world class universities
2. A bedrock of highly skilled employees in high value manufacturing
3. A strong tradition of apprenticeships

Notwithstanding these strengths, it also noted general weaknesses in the underlying skills base,[5] as measured by qualifications, and pointed to:

- Below national average outcomes in schools
- Relatively weak graduate attraction and retention

New announcements associated with the first phase of the Midlands Skills Challenge outlined in the Midlands Engine Strategy included:

- £11 million investment to provide additional Work Coaches, in order to deliver targeted employment support to unemployed people across the WMCA
- £2 million for English-language training for people whose lack of ability to speak English holds them back from accessing employment
- £7 million to pilot innovative approaches to supporting employers to help employees with mental health issues[6]
- Testing innovative approaches to lifelong learning in the Midlands

The Strategy also highlighted some key investments through the Local Growth Fund:

- £8 million to create a new world-class teaching university – with a focus on hands-on learning and addressing practical problems - in Hereford to address the shortage of skilled graduate engineers
- An Apprenticeship Academy at Warwick University
- £7 million capital investment in infrastructure for Further Education colleges in the Black Country

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[4] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/598295/Midlands_Engine_Strategy.pdf
[5] Such weaknesses are also highlighted in the Midlands Engine Vision for Growth (https://www.midlandsengine.org/wp-content/uploads/Midlands-Engine-Vision-for-Growth.pdf) - with 31% of people of working age in the Midlands Engine area are educated to degree level or higher, which is significantly lower than the national average, and a higher than average percentage of its working-age population without any formal qualifications: 10% compared to a national rate of 8%.
[6] This follows on from the findings of the West Midlands Mental Health Commission.

1.3 The Industrial Strategy

The Industrial Strategy published in November 2017[7] has five foundations. The one pertinent to skills, as a key driver of productivity, is:

***People:** good jobs and greater earning power for all*

Importantly pursuing an Industrial Strategy signals that the state is taking an active role not just in improving individuals' abilities to access the labour market – through bolstering skills – but also in how well local economies provide jobs, so highlighting the importance of considering jobs and skills together.

Positive features of the UK labour market outlined in the Industrial Strategy include:

- Employment rates at an historic high
- A world-class higher education system
- Increasingly close involvement of employers with the skills system

Challenges identified included:

- Meeting business needs for talent, skills and labour – especially with regard to technical education and insufficient numbers of people skilled in science, technology, engineering and maths (STEM) subjects
- Disparities between regions and sub-groups in skills and educational attainment
- Ensuring people are equipped for jobs shaped by next generation technology

To address these challenges the Industrial Strategy sets out ambitions to:

- Achieve parity of esteem between technical and academic education through improving the quality of technical education, including through the introduction of new technical qualifications – such as T levels[8] and the creation of new Institutes of Technology across all regions to deliver higher technical
- Drive up digital skills – in recognition of their importance for STEM and non-STEM job
- Improving the take up of maths qualifications and maths teaching across the education system
- Continue to promote apprenticeships[9] – with a renewed commitment to the target of achieving three million apprenticeship starts by 2020
- Support flexible career learning to support people's life chances

Specific plans to achieve these ambitions include:

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[7] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/664563/industrial-strategy-white-paper-web-ready-version.pdf

[8] In the Post 16 Skills Plan there was a commitment to create 15 new technical routes, designed through labour market analysis and in consultation with employers. Plans are for the first T levels (including in digital and construction) to be taught from 2020.

[9] Promotion of apprenticeships as part of a policy of strengthening provision of technical is an ongoing theme in skills debates in England, as exemplified by the Wolf Report's recommendation of the removal of low-quality vocational qualifications from the education and training system; the Richard Review of apprenticeships; promotion of employer ownership (with the Apprenticeship Trailblazers creating an employer-owned set of new Apprenticeship Standards), the introduction of the Apprenticeship Levy in April 2017, and the adoption of proposals in the Sainsbury Review to enable movement between vocational and academic modes.

- Creation of a new National Retaining Scheme that supports people to reskill, beginning with a £64 million investment for digital and construction training
- Work with employers on how the Apprenticeships Levy can be spent[10]
- Establish Skills Advisory Panels (SAPs)[11] to inform the analysis into *local industrial strategies* to be rolled out in 2018
- Publish a comprehensive careers strategy to improve the quality and coverage of careers advice for people of all ages
- Devolution of the Adult Education Budget (AEB) to mayoral areas to 2019 – to help ensure that learners can gain the skills that local businesses need.

Responding to the Industrial Strategy the Local Government Association[12] emphasised the need for a high performing and well-coordinated employment and skills system which is responsive to the needs of employers and local areas and urged the Government to work with councils so that the whole skills system can be made coherent for local people and more effective for local businesses.

2. Inclusive Growth

This section provides an introduction to the concept of inclusive growth and set out some considerations to be borne in mind in achieving it.

The challenge for the WMCA is how to promote a high added value, higher skilled economy **while enabling inclusive growth**.

2.1 What is inclusive growth?

International interest in inclusive growth has grown as it has become apparent that the benefits of growth have not been evenly shared and that social and spatial disparities have negative impacts for productivity and cohesion. Inclusive growth is a term which is frequently deployed, but one which is rather amorphous and subject to a range of different interpretations: it is 'an intuitively straightforward and yet elusive concept'.[13] A helpful working definition comes from the OECD:

Economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society.

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[10] From April 2018 it is planned to allow levy-paying employers in England to transfer up to 10 per cent of their funds to another employer, including within the supply chain.

[11] The SAPs involve collating and analysing information and intelligence to: (1) set the context for skills in a local area; (2) map current demand for skills; (3) assess how skills might change in the future; (4) map the current supply of skills; (5) assess how skills might change in the future; (6) identify and diagnose skills system issues, including whether supply currently meets demand and will do so in future, and barriers to responsiveness; and (7) identify actions for further education, higher education, employers and careers advice.

[12] https://www.local.gov.uk/sites/default/files/documents/LGA%20Industrial%20Strategy%20Briefing%20-%201%20December%202017.pdf

[13] Ranieri R. and Ramos R.A. (2013, March). *Inclusive growth: Building up a concept* (Working Paper 104). Brasilia: International Policy Centre for Inclusive Growth, United Nations Development Programme.

Setting out a useful typology, Lupton and Hughes (2016)[14] identify a 'Growth Plus' interpretation of inclusive growth, which prioritises growth but also recognises the need to link individuals to newly created opportunities associated with this, largely through connectivity and labour market supply-side initiatives. This approach works with the established economic model rather than presenting a substantive departure from existing practices. They contrast this with an 'Inclusive Economy' approach which seeks to challenge and change elements of growth generating inequality, rather than mitigating their outcomes (see Table 1).

Table 1: Alternative models of inclusive growth

Growth Plus	*Inclusive Economy*
Position: sees the existing economic model as necessary and/or unproblematic but acknowledges the need to connect more people in to this growth. *More growth requires more inclusion.*	Position: maintains that the economy should serve inclusive, social goals. The *current economic model produces inequality so needed to change to achieve greater inclusion.*
Focus on connectivity and the *supply side* of the labour market	Focus on the demand side of the labour market
Inclusion important because it supports growth	Inclusion important in its own right

Source: adapted from Lupton and Hughes (2016)

Inclusive growth can encompass a range of policy domains, although primacy is often given to labour market issues and the quantity and quality of work.[15] It is this employment and skills focus that is the focus of attention here.

2.2 Possible approaches to achieving inclusive growth

Green et al. (2017)[16] outline two possible approaches to achieving a fair and inclusive labour market, distinguishing between possible policy measures to achieve equality of opportunity vis-à-vis equality of outcomes (see Table 2).

Table 2: Approaches to a fair and inclusive labour market

Ensuring equality of opportunity	*Ensuring equality of outcomes*
Anti-discrimination measures	Promoting middle-wage jobs/ sectors
Investment in education for all – from early years onwards	Creating career ladders and progression opportunities
Additional training and job access support for people at a distance from the labour market	Targeting services (e.g. public employment service) to quality jobs
Ensuring transport access to jobs from all areas	Minimum and living wage agreements

Source: adapted from Green et al. (2017)

The same study highlighted three key inter-linked elements of inclusive growth policies (as indicated in Figure 1). These are:

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[14] Lupton R. and Hughes C. (2016). *Achieving inclusive growth in Greater Manchester: What can be done?* Manchester: University of Manchester.
[15] For further discussion see: Green A., Froy F., Sissons P. and Kispeter E. (2017). *How do cities lead an inclusive growth agenda? International experiences*. York: Joseph Rowntree Foundation.
[16] Green et al. (2017) *op cit.*

- *Shaping the economy and labour demand* – which is concerned with policy initiatives on the demand side of the labour market. Policies here include influencing the sectoral structure of employment through inward investment, promoting growth sectors and cluster policies and policies to grow the quality of employment through promoting creation of middle- and high-income jobs and creating associated supply-side policies that help link residents to quality employment opportunities, and insertion of clauses regarding quality in procurement contracts/ agreements.
- *Labour market supply and supporting labour market engagement* –supply-side policies, including skills development and addressing worklessness. Policies here include pre-employment initiatives (including development of integrated intensive services); initiatives focusing on employment entry, including through social clauses in procurement contracts, promotion of corporate social responsibility to facilitate employment entry for disadvantaged groups and galvanising activity through anchor institutions; in-work progression initiatives – including promoting transparent/ structured pathways to progression; and ensuring people have the requisite employability and technical/ functional skills to take advantage of opportunities in a changing labour market.
- *Building connectivity and creating a well-functioning city-region* – through transport, housing and spatial planning policies at a variety of scales, as well as through investment in smart solutions and involving citizens in service co-design.

Importantly, skills policies are important here not as a 'fix' but as part of a 'mix' of broader economic and business development, transport, housing and planning policies.

Figure 1: Key elements of inclusive growth policies

Source: adapted from Green et al. (2017)

3. Key Skills and Employment Issues in the West Midlands: Challenges and Opportunities

This section outlines the position of the WMCA and selected geographies therein benchmarked against the national average. It then introduces the questions set out in a Call for Evidence by the Skills and Productivity Commission in spring 2017 and presents an overview of the responses. This leads to a discussion of the challenges and opportunities in the skills and employment arena. Two main challenges are considered: Brexit, and technological change. Then the focus moves to opportunities to build on knowledge of 'what works' in skills and employment interventions and to take advantage of devolution. Challenges of the funding regime for post compulsory education and skills development are considered prior to a discussion of opportunities to leverage local assets with particular emphasis on higher education and further education.

3.1 Position of WMCA on key skills indicators

Data are compiled on a number of key indicators for the WMCA relating to education and skills, employment, reducing unemployment and improving skills. Table 3 outlines the position on these indicators as reported in late November 2017;[17] [18] Table 4 presents selected indicators on apprenticeships.

Table 3: Selected employment and skills indicators for WMCA (3 LEP geography) and national average

Measure	WMCA	UK
Education and skills		
School GCSE attainment, 2016 (% schools above national average)	46%	53.5%
% Working Age Population with no qualifications (2016)	13.0%	6.6%
% Working Age Population with NVQ1 as highest achievement (2016)	12.0%	11%
% Working Age Population with NVQ2 as highest achievement (2016)	16.8%	15.9%
% Working Age Population with NVQ3 as highest achievement (2016)	16.3%	17.7%
% Working Age Population with NVQ4 + as highest achievement (2016)	30.4%	38%
Employment		
Employment rate, 2016	68.8%	79.9%
WMCA Claimant Count (18-64), Dec 2016	67,705	*Note 1*
Reducing youth unemployment		
Reduction in NEETs (year to 2016)	4.4%	4.2%
Reduction in Youth Claimants (year to 2016)	14,805	*Note 2*

Source: WMCA Productivity and Skills Dashboard – Draft 29/11/2017; Note 1: The WMCA claimants count increased by 8.1% since the previous year, compared with a 2.5% increase across the UK; Note 2: Youth claimants increased by 11.4% in the WMCA, compared with 1.6% in the UK

Table 4: Selected apprenticeship indicators for WMCA (3 LEP geography) and England

Area	2011/12 starts	2012/13 starts	2013/14 starts	2014/15 starts	2015/16 starts	Change 2014/15 to 2015/16
BCLEP	13,360	13,260	11,180	13,170	13,850	+5.2%
CWLEP	3,800	8,950	7,160	8,550	8,100	-5.3%
GBSLEP	12,470	20,720	17,670	21,510	20,090	-6.6%
WMCA	*29,630*	*42,930*	*36,010*	*43,230*	*42,040*	*-2.8%*
England	515,000	504,200	434,600	494,200	503,900	+2.0%

Source: ESFA Data Cube (2015/16) via Black Country Consortium Economic Development Unit

[17] From https://governance.wmca.org.uk/documents/s1025/Appendix.pdf - WMCA Productivity and Skills Dashboard – Draft 29/11/2017

[18] For an overview of the position of WMCA vis-à-vis Greater Manchester see https://blog.bham.ac.uk/cityredi/wp-content/uploads/sites/15/2017/04/Skills-Infographic.pdf

On the education and skills indicators the position of WMCA is inferior to that of the UK. A considerably higher share of the working age population in the WMCA area than in the UK have no qualifications and the proportions with a highest achievement level at NVQ1 and NVQ2 (i.e. in 'skills poverty') is greater than nationally. The proportion of working age residents with no qualifications is decreasing faster than in the WMCA area than nationally. The differential between the WMCA and national positions is reversed at higher qualification levels. To reach the UK average the WMCA requires a further 185,010 people to be qualified at degree level.

In 2015/16 there were 42,040 apprenticeship starts in the WMCA area, representing a 2.8% decrease since the previous year, contrasting with a small increase at England level. The overall decline at the WMCA level was most significant in absolute terms in Engineering and Manufacturing (-610 starts) and the Retail sector (-790 starts).[19] There is some variation across LEP areas, with only the Black Country LEP experiencing an increase over this year. Of the apprenticeships starts in the WMCA area in 2015/16 58.8 per cent were at Intermediate level, 35% at Advanced level and 6.2% at Higher level. Business, Administration and Law accounted for the most apprenticeship starts of any sector (29.9%), followed by 25.7% in Health, Public Services and Care, 17.5% in Engineering and Manufacturing Technologies and 15.4% in Retail and Commercial Enterprise.

The employment rate is considerably lower in the WMCA area than nationally.

On the reduction in NEETs measure the WMCA areas performed slightly better than nationally, but the number of youth claimants increased. The number of apprenticeship starts fell slightly compared with a small increase nationally. However, it is important to note that the WMCA averages disguise considerable variation in experience[20] across the WMCA area and skills and employment policies need to be sensitive to these geographical variations.

The WMCA Productivity and Skills Dashboard also displays indicators of skills deficiencies from the 2015 Employer Skills Survey.[21] For the WMCA the percentage of establishments reporting any skills gap (within the internal workforce) was 17%, with a skills-shortage vacancy (indicating a skills deficiency amongst potential recruits) was 7%, with either a skills gap or shortage vacancy was 21%, and with both a skills gap and skills shortage vacancy was 3%. While these indicators suggest that establishments are facing skills deficiencies, when interpreting these statistics (and also trends over time) it is important to be mindful that not all employers may be aware of skills gaps/ shortages and in the face of such deficiencies may adjust their business models accordingly. Moreover, innovative and some growing businesses may have greater demands for new skills and so may report higher skills deficiencies accordingly.

The coexistence of skills shortage vacancies and skills gaps highlights that there is a distinction between:

- The skills required to get a job[22]
- The skills required to do a job

[19] Black Country Consortium Economic Intelligence Unit (2017) *Apprenticeship Provision to Black Country Learners 28/9/17.*
[20] See the Technical Appendix – Skills to the WMCA Strategic Economic Plan https://www.wmca.org.uk/media/1388/sep-skills-analysis-march-2016.pdf
[21] At the time of writing the results from the 2017 Employer Skills Survey are not available.
[22] There is an additional consideration here as to whether employers set the benchmark of skills too high when recruiting and selecting candidates, so not considering some candidates who would be capable of doing the job in question.

In part, the latter are likely to change over time and so employer training (whether formal or informal) is important here. A related issue is skills under-utilisation (i.e. whether a job makes use of the skills of a worker). While this might not hold back firm performance and productivity, workers might find that under-utilised skills atrophy over time.

3.2 Synthesis of responses to the call for evidence

The WMCA Productivity and Skills Commission call for evidence in spring 2017 highlighted *insufficient skills levels* as a key contributor to the £14 billion output gap experienced by the WMCA vis-à-vis the national average. On the basis of 2015 figures, to close the qualification gap at NVQ level 4 with the national average would require over 183 thousand people to become qualified at that level. Alongside lower than average skills levels*, too few people in employment* was another contributor to the output gap: with an increase of over 106 thousand people required in employment to meet the national average.

Responses to the call for evidence[23] identified skills gaps, basic skills deficiencies and a shortage of higher level and technical skills. There was also recognition that working conditions and well-being impacted on the opportunity for individuals to utilise their skills. An underlying theme raised in many responses was shortcomings in the way the skills system works, with a confusing range of initiatives creating a maze for employers and individuals. Yet the evidence also showcased a range of good practice across the WMCA area in terms of skills development.

Key *barriers to skills development* were wide-ranging and highlighted issues relating to individuals' characteristics, a lack of access to resources (e.g. financial, transport, etc.), their previous (lack of) experience of employment and non-work factors at household level (e.g. caring responsibilities), as well as a lack of flexibility in skills provision. Specific barriers cited included lack of English language skills amongst some residents, low confidence and caring responsibilities. Long-term unemployment – with links with mental health problems was highlighted also. Wide variations in the experience of different sub-groups of the population were noted. Issues raised relating to engagement with the skills system included the difficulties faced by SMEs in releasing staff for training and the need for bite-sized sector-specific training, access to support and funding for developing skills for those in employment and the logistics for individuals of attending training.

In terms of the *possible impact of Brexit* (also addressed in sub-section 3.3) the potential loss of skills of EU migrant labour was highlighted, with recognition that the impacts on sectors would be uneven (with higher education and construction cited as amongst those likely to be hardest hit). However, it was noted also that Brexit also placed greater onus on strategic development of skills internally.

In relation to the *effectiveness of careers advice* a recurring theme was its fragmented and patchy nature causing navigation difficulties. There were doubts that schools had sufficient knowledge of different progression pathways post 16, particularly in relation to vocational routes, and that competition between post-16 providers resulted in sub-optimal outcomes. There was a call for more employer engagement, including through work experience and placements.

[23] See https://www.wmca.org.uk/what-we-do/productivity-skills/next-steps/ and https://www.wmca.org.uk/media/2006/summary-report-on-response-to-call-for-evidence.pdf

The need to drive up demand for *leadership and management* training was identified as a priority. Further links with universities and a greater focus on degree-level apprenticeships were cited as a possible ways forward.

'Good Work' is considered in more detail in section 4. In terms of the responses to the call for evidence the increasing concern of workers with the value proposition of jobs was highlighted, with implications for talent attraction and retention. This means that employers need to listen to their employees. More generally, the use of public procurement levers to promote 'good work' was noted.

3.3 Challenges and opportunities

This section begins with consideration of two key challenges (and their associated opportunities): Brexit and technological change. It then considers opportunities to build on 'what works', devolution and leveraging local assets. Each of these topics are worthy of separate papers in their own right and are only touched on here.

3.3.1 Brexit

International labour migration has several possible advantages for an economy and increasing productivity through:

- Addressing the challenge of skills shortages at higher skills levels
- Addressing labour shortages
- Meeting employers' requirements for flexibility
- Contributing to a diverse workforce and access to new ideas

However, use of international migrant labour also raises challenges of reducing the incentive to invest in developing workforce skills locally.

In the short- and medium-term Brexit and associated expected changes to the UK immigration regime has implications for employment and skills. In the period since 1945 the UK has shifted from a liberal immigration regime characterised by unrestricted access to one of increasing restriction ad control – for non EU migrants. In current UK policy:

- Citizens of countries outside the EU are subject to immigration control (they do not have the right to enter the UK to live, work or study unless they are granted a visa). There is a points-based work permit system for non-EU citizens which favours skilled workers.
- EU citizens coming to work in the UK are eligible to take up employment in any job (under free movement of labour) - as a member of the EU the UK is not able to use any kind of visa system to control migration from other EU member states.

The UK government aspires to create *"a fair and controlled immigration system, giving control over the numbers of people coming to the UK from the EU while welcoming those with the skills and expertise"* the UK needs (HM Government, 2017).[24] However, what such an immigration system looks like remains unclear, and so the post-Brexit future is subject to uncertainty. This very uncertainty places pressures on

[24] HM Government (2017) 'The United Kingdom's exit from and new partnership with the European Union', *Cm 9417*

businesses. A White Paper on future immigration policy was expected in October 2017 and was subsequently postponed until late 2017. At the time of writing (in early March 2018) publication of the White Paper is still awaited. However, a leaked confidential Home Office paper dated August 2017 set out plans for managing migration after Brexit. It set out an intention is to end the free movement of labour immediately after Brexit and introduce restrictions to deter all but highly-skilled EU workers (Hopkins and Travis, 2017).[25] If implemented, these proposals would make the rules to be met by prospective EU migrants much closer to those currently applied to migrants from outside the EEA. Lower-skilled EU migrants would be offered residency for a maximum of only two years, while workers in 'high-skilled occupations' would be granted work permits for three to five years. There would be a phased introduction to a new immigration system under which most European migrants would not have the right to settle in Britain, while their rights to bring in family members would be restricted.

It is difficult to forecast migration changes. The latest migration statistics (relating to the year to September 2017), show that at 130 thousand the number of EU citizens emigrating from the UK is higher than for a decade, albeit 220 thousand EU nationals moved to the UK in the same period. Of those coming to the UK fewer were coming for work-related reasons, in particular to look for work.

The impact of changes in immigration policy will probably vary by sector and occupation, given the current distribution of EU workers in employment. According to a briefing note prepared by the Migration Advisory Committee[26] on EEA-workers in the UK labour market, workers from the EEA are disproportionately concentrated in low-skilled occupations (49% of EEA workers in 2016), compared with 38% of UK workers and 39% of workers from the Rest of the World. By contrast 24% of EEA workers are in high-skilled occupations, compared with 29% of UK workers and 35% from the Rest of the World. This reflects their disproportionate concentration in occupational terms as packers and workers in food processing occupations and elementary storage occupations. Sectors with the highest concentrations of EEA workers are retail, food and beverage service, education, manufacture of food products, human health activities and construction of buildings. This outlines the wide range of sectors vulnerable to a change in immigration policy. (Of course, Brexit itself has implications for trade – with analyses of trade flows suggesting that the West Midlands is particularly vulnerable[27]), which in turn has implications for labour requirements.

The one certainty in the midst of a wide range of uncertainty is that there will be a greater onus on developing the skills of UK nationals to meet employers' needs.

3.3.2 Technological change

The reach of technological change – and particularly information technology - extends across virtually all sectors. Although whether or not it will lead to a substantial change in the number of jobs is contested, it is a potentially powerful disruptor to labour market dynamics, so impacting on the nature and experience of work. As such it presents a challenge. However, from a positive perspective technology can be used to help raise productivity, improve job quality, diversify employment and drive employment growth, while also

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[25] Hopkins, N. and Travis, A. (2017) 'Leaked document reveals UK Brexit plan to deter EU immigrants', The Guardian, September 5th 2017. https://www.theguardian.com/uk-news/2017/sep/05/leaked-document-reveals-uk-brexit-plan-to-deter-eu-immigrants

[26] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/636286/2017_08_08_MAC_Briefing_paper.pdf

[27] For an introduction see http://theconversation.com/how-brexit-will-hit-different-uk-regions-and-industries-91287

distributing work more widely geographically. Yet it can also lead to various jobs and skills becoming redundant. While technological change is a complex topic, two broad trends are highlighted here and their implications for skills are discussed.

The first concerns *automation* and the *digitalisation* of production, the use of *big data*, the *convergence of technologies* and the growing use of *artificial intelligence and robots*. In a study considering the potential effects of artificial intelligence (AI) and robotics on the labour market based on official data, a survey of UK business leaders and interviews with employers from different industries, Dellot and Wallace-Stevens (2017)[28] suggest that low-skilled work is most at risk, with technologies phasing out mundane jobs leaving a greater onus on more human-centric roles. Bakhshi et al. (2017),[29] using an innovative methodology involving machine learning and human judgement to estimate how technological (and non-technological) trends are likely to affect the demand for different skills (and consequently employment) over the period to 2030, highlighted that jobs made up of routine tasks are most at risk of decline whereas occupations requiring interpersonal and cognitive skills are likely to grow. Combining the probabilities from this study of the change in demand for different detailed occupations with city-level labour market information, the Centre for Cities[30] has estimated likely job increases and decreases for different cities over the period to 2030. Cities outside southern England are most exposed to risk of job loss (with Coventry and Birmingham estimated to see a 24.8% and a 23.2%, respectively, shrinkage of jobs by 2030, compared with a Great Britain city average of 20.2%), whereas cities like Oxford, Cambridge, Reading and London are least at risk. Yet various studies also highlight that technological change and AI can provide open up new opportunities to re-engineer processes, develop new services and rework organisations.[31]

To promote inclusive growth there is a need for the ongoing development of a complementary mix of digital and non-digital skills over the life course. The fact that technology is changing how people learn means that digital skills are most likely to be acquired through non-formal and informal learning[32] and this needs to be recognised in how individuals are incentivised and funded to learn.

Related to the trends outlined above *digital skills* is a key priority across many of the region's key sectors. Indeed, it is important to note that less than half (47%) of those working in digital-related jobs are employed in the digital sector. There is a national shortage of digital skills and a lack of clarity about which skills are most needed[33] and how best to address employers' and individuals' needs, especially given limited capacity across colleges and training providers. At the current time approximately 6,000 West Midlands residents are on classroom based digital skills courses, with over half of classroom-based FE provision at Level 2 or below and the majority delivered to 16-18 year olds. 900 people are studying digital apprenticeships.[34] A lack of digital skills undermines productivity gains delivered through digital technologies. The West Midlands is already a large tech/ digital sector[35] and there are ambitions to build

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[28] Dellot B. and Wallace-Stevens B. (2017) *The Age of Automation: artificial intelligence, robotics and the future of low-skilled work,* Royal Society of Arts, London.
[29] Bakhshi H., Downing J., Osborne M. and Schneider P. (2017) T*he Future of Skills: Employment in 2030*. Pearson and Nesta, London.
[30] Centre for Cities (2018) *Cities Outlook 2018,* Centre for Cities, London.
[31] For example see Manyika J. et al. (2017) *A Future That Works: Automation, Employment and Productivity,* McKinsey Global Institute.
[32] CEDEFOP (2017) *People, machines, robots, and skills*, CEDEFOP, Thessaloniki.
[33] Compounded by the speed of change as digital technologies develop.
[34] Nugent J. and Hatton C. (2018) *West Midlands Digital Skills* (unpublished).
[35] Including the digital and creative clusters such as those around the Custard Factory in Birmingham and 'Silicon Spa' around Leamington.

on this, but (as outlined above) digital skills needs are more ubiquitous. There are opportunities to build on the new computing curriculum introduced to schools in 2014 with computing mandated for primary and secondary pupils; new digital apprenticeships designed by employers (starting at Level 3); strengths and specialisms in West Midlands' universities; a new 16-18 'Digital Route' for young people, with T levels operational from 2020; sector strategies (including those for Automotive and Construction) with a digital element; and regional bids for Institutes of Technology including a focus on digital.

A second key development underpinned by technological change is the development of the '*gig economy*' and the broader '*sharing economy'*. In recent years the trend of using online platforms to source small, sometimes on-demand, jobs (i.e. the so-called 'gig economy') has accelerated.[36] There are ongoing concerns about whether gig work can provide the same level of social and economic security as traditional employment and here more expansive change is likely to be needed to transform the labour market in ways that enable workers to reap more of the benefits of innovation, including through shared regulation of the gig economy. There is a diversity of participants and tasks on offer, and concomitant concerns about working conditions and pay. The skills levels of individuals in the gig economy varies significantly, depending on the individual and the type of work in which they are engaged. The majority of gig economy workers receive no formal training and limited informal or on-the-job training, and there is limited opportunity for career progression.[37] While this is not an issue if this way of working is temporary, it could have implications for skills acquisition and career development in the medium- and longer-term. It seems clear that a particular onus is placed on the individual to take responsibility for their own skills development, with support from careers services and education and training providers. The heterogeneity of individuals concerned, their reliance on their own funds for skills development and their differing training needs represents a challenge for providers.

3.3.3 Building on 'what works'

Employability policies targeting job seekers have often had a 'work first' focus on quick job entries, neglecting sustainability and progression. In part this relates to the funding of such policies (prior to the introduction of the Work Programme) being related to 'job entries'. Drawing generic lessons from research on locally-focused policy initiatives in Great Britain operationalised in the context of spatial concentrations of persistent worklessness, Adam et al. (2017)[38] highlighted three main themes:

- The importance of employer engagement to open up job opportunities
- Recognising the diverse needs of individuals and the significance of personalised support for those furthest from the labour market
- Co-ordination of local provision. It is argued that providers need to ensure workless groups have the skills and support to access opportunities created by economic growth.

These may be considered as underlying principles for employability policies.

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[36] Balaram B., Warden J. and Wallace-Stephens F. (2017) *Good gigs: a fairer future for the UK's gig economy,* Royal Society of Arts, London.
[37] Broughton A., Gloster R., Marvell R., Green M, Langley J. and Martin A. (2018) *The experience of individuals in the gig economy.* https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/679987/171107_The_experiences_of_those_in_the_gig_economy.pdf
[38] Adam D., Atfield G. and Green A. (2017) 'Policies for employability in cities', *Urban Studies* 54(5): 1162-1177.

Reviews of national and international evidence on employment entry, in-work progression and job quality conducted for an ESRC-funded project on 'Harnessing Growth Sectors for Poverty Reduction'[39] reveal a body of policy analyses on 'what works' for policy interventions on employment entry but much less material on in-work progression. Job quality is widely studied, but the evidence base is disparate. However, available evidence suggests that policy can be designed to tackle employment entry and progression outcomes jointly and that there are potential benefits of a sector-focused approach to progression. While there are no 'silver bullets' there are plenty of opportunities for action by local economic development partnerships, local authorities, third sector organisations, employment services, careers guidance professionals, education and training providers, employers (including anchor employers), employer bodies, trade unions and sector networks to take action to promote inclusion and progression in better quality work. These include:

- Local stakeholders working together to develop place-based industrial policy which addresses the issues of job quality in large employment but low-wage sectors
- Adopting a 'dual customer' approach (i.e. working with individuals and employers for their mutual benefit – see also the discussion in section 4.3) to develop and promote employment entry and in-work progression activities in sectors such as health and social care and manufacturing
- Development of procurement policies that extend beyond employment entry and ensure that suppliers of goods and services provide quality jobs
- Provision of training to support under-represented groups to gain access to sectors typified by good opportunities for progression and higher employment quality
- Ensuring local provision of careers advice and guidance to support individuals to progress by moving jobs where existing opportunities are constrained.

The What Works Centre of Local Economic Growth[40] has undertaken a range of systematic review of evaluations on specific topics of relevance to employment and skills issues, adopting a strict threshold of minimum evaluation standards. An evidence review on *employment training* programmes for people aged over 18 (excluding training in schools, HE and apprenticeships) showed that in around half of the studies reviewed employment training had a positive impact on wages and employment. In-firm/ on-the-job training programmes tended to outperform classroom-based training programmes, with employer co-design and activities that closely mirror actual jobs appearing to be key design elements. Shorter programmes are more effective for less formal training activities, while longer training programmes generate employment gains for skill-intensive activity. There is little evidence providing robust insight into value for money of different approaches. With regard to *apprenticeships*, there is some evidence that apprenticeships improve skill levels and stimulate further training or study; (so making them a valuable gateway for skills development post apprenticeship). They tend to have a positive effect on participants' subsequent employment (and also reduce subsequent unemployment). Level 3 or higher apprenticeships deliver substantially higher wage gains relative to lower level apprenticeships (although UK evidence on this is sparse). There is some evidence that apprenticeships are more likely to increase employment than other forms of employment training (unless that training involves an in-firm element); (this highlights the importance of applied on-the-job training for skills development). In the context of the Apprenticeship Levy (discussed later), it is notable that evidence on financial incentives to improve apprenticeship training

[39] See https://blog.bham.ac.uk/cityredi/wp-content/uploads/sites/15/2017/09/Harnessing-Growth-Sectors-for-Poverty-Reduction-handout-revised.pdf
[40] http://www.whatworksgrowth.org/ - evidence reviews and toolkits on specific topics are available on the Website.

is weak; in any case the levy is a small incentive given that the costs of an apprenticeship go well beyond formal training and moreover the cost of an apprenticeship varies by business size and sector.

There are also examples of specific projects that have had success in addressing skills issues. One such is the *Black Country Skills Factory* which was showcased in the Industrial Strategy for accelerating skills development locally to address skills shortages in high-value manufacturing. Key features of the Skills Factory model are engagement of employers by sector specialists independent of specific training providers; mapping of gapping of existing training provision at a high level of granularity; and a focus on bite-sized practical training in line with labour demand.

3.3.4 Devolution

Through City Deals, Growth Deals and Devolution Deals with central Government city-regions in England have agreed the devolution of new powers and resources in a range of policy domains, including skills and employment. Devolution opens up the possibility of an inclusive growth focus, albeit the way devolution is designed and the nature and scale of devolution agreements have implications for what can be realistically achieved.

In terms of the WMCA key features of devolution set out in a first devolution deal with central government concerned: (1) Better skills planning and a local strategy – identifying the skills that local people need for the jobs that local businesses need to fill; (2) Local control of public funding for adult skills training (i.e. local control of the Adult Skills Budget); and (3) Better employment support, involving working with a range of government departments, including DWP to co-design the Work and Health Programme, building on the expertise of local councils. A second devolution deal[41] built on these fundamentals and included:

- One of the first Skills Advisory Panels (SAPs) – involving bringing together the WMCA, employers and post-16 skills providers for strategic planning of post-16 skills provision based on local data and intelligence.[42] The idea is that types of training/ skills development provision commissioned under the devolved Adult Education Budget and capital fund allocation will be informed by the SAP analysis. The SAPs are designed to meet local needs and at the same time support a national skills strategy and prevent a fragmented approach.
- WMCA working with and supporting local Further Education and Higher Education providers to develop bids for Institutes of Technology.
- Central government funding of £5 million over three years for a local construction training programme, alongside employer-led interventions to boost construction with the government is taking forward as part of the early stages of the National Retraining Scheme.
- Ensuring that local priorities directly inform the provision of careers advice, with WMCA engaging employers in playing a full role. Relatedly, in the WMCA a career learning pilot in the West Midlands will test new approaches to help adults to upskill and reskill throughout their working lives. (See Box 1 for an introduction to current work to strengthen and embed careers provision in local communities for young people and adults.) An additional activity is exploring ways to support those returning to the labour market after time out of paid employment to care for children or other family members.

[41] See https://www.wmca.org.uk/media/1917/a-second-devolution-deal-for-the-west-midlands-002.pdf
[42] At the time of writing DfE is conducting a feasibility study on the contents of SAPs and how data and local intelligence will be used.

- Development and adoption of an Employment Support Framework Agreement to drive the better coordination of employment, skills and health services across the West Midlands in order to increase the number of residents moving into work – including and emphasis on the 'how' of design, commissioning and performance management of support programmes; partnership working to align local public services to support people into, including through offers of apprenticeships and other work-related training and work; provision of work experience opportunities to young people; and Jobcentre Plus, local authorities and their partners working together to promote skills development and progression from low-paid employment to support growth.

Box 1: Embedding careers provision in the West Midlands: Ambitions for All
Ambitions for All is concerned with addressing the question: *How can the gap be closed between the current start of play (i.e. a proliferation of providers in an unregulated and confusing careers marketplace) and a future strategic vision for careers support services in the West Midlands that opens up more opportunities for all?* The vision is an all-age careers service that is inclusive, intelligent and responsive in meeting the needs of individuals and employers in the region. Key principles of such a service are: (1) the centrality of the beneficiary (through independence, impartiality, confidentiality, equal opportunities and a holistic approach); (2) enabling citizens (through active involvement and empowerment; (3) improving access (through transparency, friendliness and empathy, continuity, availability, accessibility and responsiveness; and (4) assuring quality. All-age careers support services should support achievement of policy objectives of efficient investment in education and training; labour market efficiency; lifelong learning; social inclusion; social equity; and economic development. Possible ideas of what good careers information advice and guidance might include have been formulated and the recommended next step is to conduct a review in the region.

Source: DMH Associates (February 2018) *West Midlands Combined Authority: Ambitions for All* (do not quote without permission).

3.3.5 Key features of the funding regime for skills development

The funding regime for post 16 skills development is complex. Funding from the Department for Education focuses on qualifications. Traditionally, funding from the Department for Work and Pensions has focused on training solutions to reduce the out-of-work claimant count, but with the advent of Universal Credit there is a greater emphasis on focusing on training of those in employment that will help increase their income. There is other funding from the European Social Fund that focuses on training and support to overcome various dimensions of disadvantage.

Increasingly the funding landscape may be characterised as one of 'loans and levies' – particularly for adults in employment with qualifications at Level 2 and above. While the Adult Education Budget plays a key role in the West Midlands in engaging adults and providing the skills and learning they need to equip them for work, an apprenticeship or further learning, and enables more tailored programmes of learning to be made available, which do not need to include a qualification, to help those furthest from learning or the workplace,[43] Advanced Learner Loans are increasingly the only funding source for vocational training above Level 3 for most adults (aged 19 plus). The latest figures on Advanced Learner Loan take-up show a 17% reduction in take up of such loans between 2016/17 and 2017/18. All age groups and courses shared in this reduced take up, with the 24-30 age group and A level and Level 3 courses displaying the most

[43] Given relatively low qualification levels in the West Midlands funding of such learning is of particular importance.

marked reductions. This reduction will impact on skills supply. As a Careers Learning Pilot the WMCA will be able to examine subsidy for advanced learner loans in some key sectors.[44] At Higher Education level loans are more established and (arguably) more accepted, but issues of student debt are of increasing political concern.

With regard to levies, the Apprenticeship Levy is most prominent. On the one hand the introduction of the Apprenticeship Levy in April 2017 for employers with an annual wage bill of at least £3 million encourages employers to think about their training activity. On the other hand the complexity of the Levy process appears to act as a disincentive for some employers. As of July 2017, 11,000 employers (out of 19,150 companies eligible to register), had yet to sign up with the online service which enables them to spend their levy funds. This places apprenticeship targets in jeopardy. A key issue for the WMCA is that it does not have access to data which would allow it to understand the impact of apprenticeship investment in the region. An understanding of spending and delivery by levy-paying employers and non-levy contracted providers would help the WMCA to promote and grow apprenticeships.

Loans, levies, changes in major funding streams and their coverage, as well as short-term funding for specific one-off projects (especially with regard to welfare-to-work initiatives), contributes to a complex employment and skills landscape. The complexity of the skills system encourages learners and employers to buy particular pieces of an employment and skills journey/ particular bits of training, but not necessarily in a way that is joined up. This suggests a need for providers to come together more coherently with a more joined-up offer and a need for support for individuals and employers in navigating the system.

3.3.6 Leveraging local assets – the case of Higher Education

The Midlands Engine Strategy highlighted three key skills-based assets in the Midlands on which to build:

- A thriving Higher Education (HE) sector – including world class universities
- A bedrock of highly skilled, specialist employees in high value manufacturing
- A strong tradition of apprenticeships, reflecting the Midlands' manufacturing heritage

This list is not comprehensive (e.g. the important role played by the Further Education (FE) sector is not identified), but is considered in section 3.3.7. The focus here is on the first of the three assets outlined above, since a need to maximise the role of universities in skills development was also highlighted in responses to the call for evidence from the Skills and Productivity Commission. Responses from higher education institutions showcased some of the work undertaken in conjunction with employers in developing skills for the West Midlands economy.

Universities have an important economic impact as major employers, investors and procurers. They attract students from outside the region who augment the region's skills base of graduate labour and who spend locally, so supporting firms in the region. They offer collaboration possibilities to firms which can then benefit from science and technology expertise, which may help foster innovation and productivity

[44] The OECD (2017) op cit. suggests that one way of making advanced learner loans more attractive for low-skilled workers would be to tie waivers of repayment to employment in skill-shortage occupations.

increases.[45] See Table 5 for policy recommendations (nationally and sub-nationally) for enhancing and embedding the role of universities in their regional and local economies.

Table 5: Policy recommendations for exploiting universities as local and regional assets

Policy recommendation
Promoting further the role of universities as a source of regional skills and expertise, and encouraging links between teaching programmes and local organisations
Providing funding incentives for research collaborations with other regional universities and corporate partners in areas aligned with regional economic growth plans. This can assist in the development of regional specialisations as well as more competitive, high wage local economies
Providing funding incentives for combining STEM capabilities with business and management expertise to help translate science and technology into new products and services
Reviewing local procurement guidelines in view of increasing the capacity of universities to support small, local firms and use their buying power to support local disadvantaged socio-economic groups
Providing funding incentives for combining STEM capabilities with business and management expertise to help translate science and technology into new products and services
Rewarding research that has policy impact and that can be applied to the local setting
Incentivising contributions to local arts and creative sectors which play an important role in retaining graduates and attracting inward investment

Source: adapted from Collinson and Hoole (2017)

3.3.7 The role of Further Education

FE providers make an important contribution to raising the skills base of adult learners and addressing employers' skills needs, in particular through technical and vocational education offers. In evidence submitted to the Productivity and Skills Commission call for evidence, the response from the West Midlands Further Education Skills & Productivity Group highlighted two key barriers to skills development: (1) access – especially for those who are already disadvantaged in the education system; and (2) progression to higher level skills and high value employment. FE has a role to play in addressing both of these barriers. Indeed, in 2015/16 48% of the whole annual FE learner intake was at level 1 or zero in terms of prior qualifications.

Collectively the FE sector in the WMCA area has formidable capacity. With 23 Colleges across 60 locations and a core business of skills development and training at Levels 1-3, it takes school leavers and under-qualified adults (either in employment or in low value jobs) and aims to equip them to become higher level/ degree learners and/or to take high value high skill jobs. It has £310 million of funding for 16-18 year olds and £104 million of funding for adult learners. It supports over 252,000 students every year. It supports 74,000 young people aged 16-18 participating in full-time programmes, 145,000 adult learners, around 27,000 apprentices and around 12,000 employers.[46] However, the sector has seen falling funding in recent years, particularly in comparison with other parts of the education system.

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[45] Collinson S. and Hoole C. (2017) City-regions need great universities as strong and committed 'anchor institutions'. City-REDI Policy Briefing. https://www.birmingham.ac.uk/Documents/college-social-sciences/business/research/city-redi/Universities-as-Anchor-Institutions-Briefing-Paper-CRPBS1-1.pdf

[46] Statistics taken from the West Midlands Further Education Skills & Productivity Group Response to the West Midlands Combined Authority Productivity and Skills Commission Call for Evidence.

Traditionally the default position has been one of competitiveness between colleges, rather than cooperation. Devolution, localism and the industrial strategy point to greater local discretion over the economy and public services and recent research[47] suggests that greater collaboration between colleges[48] would be good for the FE system as a whole – in terms of improving the quality of provision and creating the foundations for a stronger FE sector.

Specifically, the capacity of FE needs to be exploited better to address issues of deficiencies in skills supply. Suggested key targets and actions which would aid this include those presented in Table 6.

Table 6: Selected key actions for the FE sector to address skills deficiencies

Key actions
Driving up apprenticeships/ technical education (to a qualification at least at Level 3) as a genuine alternative to the academic route to a good job – could be achieved by FE colleges and WMCA coming together in a targeted campaign to present FE as a key technical education route to a good job
Develop a single investment plan for FE at the WMCA level based on an agreed set of strategic priorities linked to the wider skills agenda – could be achieved by a single WMCA approach to capital investment in the region
Underpin work of transforming technical education through a single programme of activity to improve specialist skills of FE staff – could be achieved by developing centres of continuing professional development (CPD) linked to Institutes of Technology, as well as online guides on specific topics
Collective targeting of the SME base to increase apprenticeship take up by smaller (non-levy) paying businesses – through an orchestrated and targeted campaign across FE colleges

Source: adapted from from a table of 'Practical Actions' included in the West Midlands Further Education Skills & Productivity Group Response (2017) to the West Midlands Combined Authority Productivity and Skills Commission Call for Evidence.

Importantly in order to achieve a more seamless pathway of technical skills development there is scope for a collaborative alignment between FE and HE activities in this space.

4. Links to wider skills and employment debates

This wide-ranging section discusses wider debates on skills and employment of relevance to skills issues in the WMCA. The first broad topic introduces the shift towards greater concern with issues about the quality of employment, while not ignoring employment volumes, as captured in debates concerning the 'more and better jobs gap'. The second sub-section discusses the 'good work' debate, including what people value in work, in more detail. The third sub-section is concerned with local opportunity structures - which relates to the nature of jobs available in an area, connecting people to work and in-work progression. Fourthly, the importance of looking beyond the statistics and economic rationality to understand behaviour (of individuals, employers, training providers and others) is highlighted. Reference is made to changing expectations of individuals and the importance of image.

[47] See KennyBirch R, (2018) *Working Better Together: Colleges collaborating to succeed,* Localis, London. https://www.localis.org.uk/wp-content/uploads/2018/03/015_WorkingBetterTogether_AWK.pdf

[48] The research recommends the establishment of a voluntary and self-regulating enhanced consortium model characterised by: (1) resource sharing; (2) specialisation; (3) creating an active political presence; (4) fostering genuine relationships with the local community; (5) integrating strategic plans with the skills economy of the region; and (6) voluntarism.

4.1 The more and better jobs gap

Although employment rates are at an historical high at national level there is a significant ‘more and better jobs’ gap (see Figure 2) of unemployment, insecure or low paid work in Britain’s major cities Pike et al. (2017)[49]. The ‘more jobs gap’ comprises individuals who cannot get any work/ the amount of work they want. This suggests a deficiency in labour demand. The ‘better jobs gap’ is made up of people in insecure and/or low-paid jobs. An increase in labour demand can help these people also by increasing wages and/or increasing the availability of permanent job opportunities.

Figure 2: The more and better jobs gap

GOOD JOBS	**BETTER jobs gap** Insecure jobs Low-paid jobs Involuntary temporary jobs ‘Dead end’ jobs	**MORE jobs gap** Unemployed Inactive wanting work Under-employed Involuntary part-time work
Total working age population who would like to work		

Source: adapted from Pike et al. (2017)

Suggested priorities for such demand-side policies that raise the level and enhance the quality of demand for labour are:

- Identifying and targeting inclusive growth sectors
- Fostering demand-led skills development – so countering the ‘low skills trap’[50] (where the demand and supply of skills are co-determined and the skills needs of employers and employees need upgrading)
- Building closer employer engagement and partnership focused on priority sectors

Pike et al. (2017) calculate a ‘more and better jobs’ gap for 12 British cities. Birmingham (defined as the seven local authorities comprising the WMCA) has a ‘more and better jobs’ gap of 39% (calculated as a proportion of the total labour force (i.e. employed or unemployed) or economically inactive who want work). This places Birmingham on a par with Nottingham and Leeds and slightly below the percentages recorded by Newcastle, Cardiff, Manchester, Liverpool and Sheffield, but above Bristol, Edinburgh, London and Glasgow. Relative to other large cities, Birmingham performs particularly poorly on the ‘more jobs gap’ – reflecting the relatively low employment rate. Econometric analyses of a related concept of involuntary non-standard employment[51] show that women, young people, individuals of non-White ethnic origin, the highly educated, those in less skilled occupations and those in regions outside the Greater South East core are more likely to be in such employment.[52] If such employment is short-lived or a stepping stone to better

[49] Pike A., Lee N., MacKinnon D., Kempton L. and Iddawela Y. (2017) *Job Creation for Inclusive Growth in Cities.* York: Joseph Rowntree Foundation.
[50] Green A. (2016) *Low skills traps in sectors and geographies and means of escape.* https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/593923/LowSkillsTraps-_final.pdf
[51] Defined as involuntary temporary employment plus involuntary part-time employment.
[52] Green A. and Livanos I. (2015) ‘Involuntary non-standard employment and the economic crisis: regional insights from the UK’, *Regional Studies* 49(7): 1223-1235.

employment it is not necessarily a problem, but it becomes so if it is a large proportion of total employment and people become trapped in it.

4.2 The 'good work' debate

Related to the 'better work' concept outlined above, 'good work' is gaining increasing prominence and traction in debates about the nature of work in its broadest sense. The context for this is growing issues at work – including increasing job in security, increasing work intensity and tight deadlines, individuals being stuck in low-paid work, growing skills under-utilisation, a significant number of workers being affected by health conditions, growing skills shortages and significant numbers missing out on training.

The context for this is growing issues at work – including:

- Increasing job in security – including zero hours contracts
- Increasing work intensity and tight deadlines
- Individuals being stuck in low-paid work
- Growing skills under-utilisation
- A significant number of workers being affected by health conditions
- Growing skills shortages
- Significant numbers missing out on training

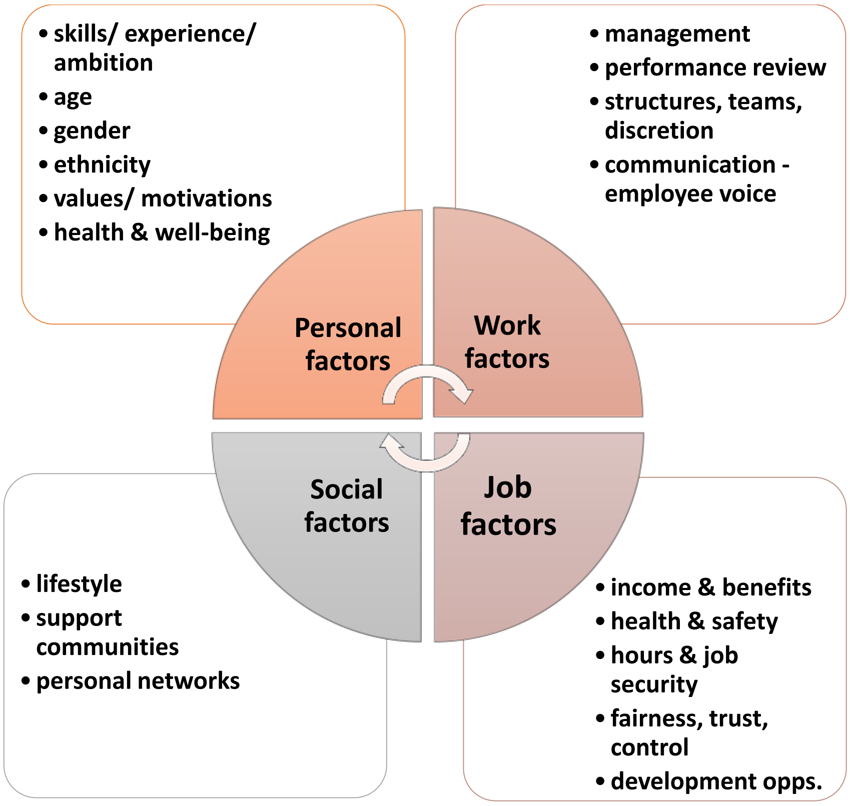
In 2016 The Work Foundation established a *Commission on Good Work*[53] to demonstrate Good Work's ongoing importance in driving benefits for more businesses, individuals, and society as a whole within a modern world. It focuses on three key questions:

- Why is a focus on Good Work so important now?[54]
- What does Good Work mean in a modern economy?[55]
- How do we achieve Good Work in a way that unlocks the mutual benefits for business, individuals and the wider economy?[56]

The Work Foundation sees 'good work' as being about 'making the best of people's talents today and tomorrow' and in identifying the characteristics of 'good work' distinguishes personal factors, work factors, job factors and social factors (Figure 3).

[53] http://www.theworkfoundation.com/wp-content/uploads/2016/10/The-Commission-on-Good-Work.pdf
[54] Here The Work Foundation highlights the fact that neither returns to businesses nor workers are optimised, as exemplified by a productivity paradox in business, uneven technological change and a growing inequality for many workers. Hence it is necessary to understand factors shaping changes and associated opportunities and risks.
[55] Here the need for more businesses to pursue a smarter people-centred approach which secures high performance work practices and 'Good Work' (see Annex) for individuals is highlighted.
[56] Here The Work Foundation suggests a new formula for Good Work is needed that recognises different types of work, but is supported by multiple stakeholders to secure mutual benefits.

Figure 3: Good Work: making the best of people's talents today and tomorrow



Source: Adapted from the Work Foundation (2017)

In a similar vein the Carnegie Trust is engaging with the concept of 'fulfilling work'.[57] It is exploring the links between work and well-being with a view to understanding mechanisms for ensuring that work has a positive influence on well-being, and is also scoping a framework for measuring job quality. Fulfilling work encompasses:

- *work availability* - how easily and fairly can people find the type and level of work they would like
- *work quality* – do terms, conditions and opportunities at work meet people's expectations
- *work & well-being* – do wider factors around engagement, connection and agency at work support personal development and fulfilment?

Oxfam Scotland has been working with the concept of 'decent work' in the context of concerns with in-work poverty, which is itself a function of overlaps between the level of hourly pay, the number of hours worked, and the value of in-work benefits. 'Decent work' lifts people out of in-work poverty but is about more than this. On the basis of a review of the literature on 'decent work' and job quality, Stuart et al. (2016)[58] identified five distinct 'dimensions of decent work': pay, terms and conditions, health and safety, work-life balance, and the intrinsic characteristics of work (i.e. 'the work itself') and produced a list of 26

[57] For further information see https://www.carnegieuktrust.org.uk/theme/fulfilling-work/ and McGregor A. (2017) *Brexit and Fulfilling Work: Responding to Threats and Exploiting Opportunities,* Carnegie UK Trust.
[58] Stuart F., Pautz H., Crimin S. and Wright S. (2016) *What makes for decent work? A study with low paid workers in Scotland,* Oxfam Scotland.

factors associated with them. They then asked 1,500 individuals people with experience in low-wage sectors or with low earnings which of these factors they deemed to be most or least important to make work 'decent'. The factors that were prioritised (see Figure 4) primarily related to pay (i.e. an hourly rate or salary that is at least enough to cover basic needs such as food, housing and things most people take for granted without getting into debt, and being paid fairly compared to other similar jobs) and terms of employment (i.e. paid holidays and paid sick leave, job security, and a job in which there is no discrimination because of who I am), along with one factor each relating to intrinsic characteristics of work (i.e. a supportive line manager) and health and safety (a safe working environment free from physical and mental risk or harm).

Figure 4: Decent work

Source: Adapted from the Stuart et al. (2017)

The Taylor Review of Modern Working Practices[59] has also helped bring to the forefront of debate a range of issues concerning the developments and growing issues at work, including:

- *The quality of work* - wages, education and training, working conditions, work-life balance and consultative participation and collective representation
- *The evolution of the labour market* – rise of 'atypical' work forms, growth of self-employment, agency work, temporary work, zero hours contracts, gig economy work
- *Flexibility* – its pros and cons (discussed in more detail below)

[59] Taylor M. et al. (2017) *Good Work: The Taylor Review of Modern Working Practices.* https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/627671/good-work-taylor-review-modern-working-practices-rg.pdf

- *Responsible business* – noting that the tone about the nature of work is set at the top of an organisation

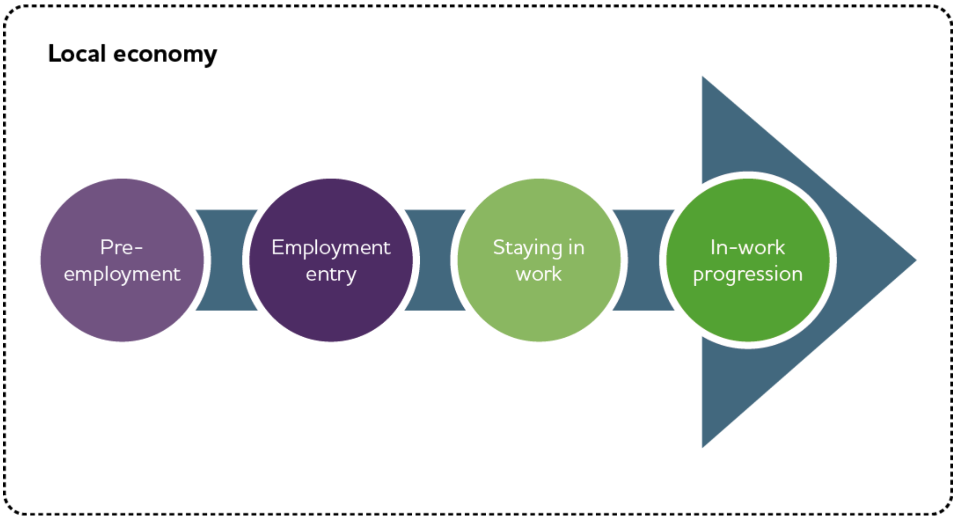
Given the interest in inclusive growth, it is important for WMCA to take account of developing research on this theme. As yet, the specific links between 'good work', skills development and productivity remain under-explored. However, in a 'provocation' paper, Rubery *et al.* (2016)[60] have suggested that the flexibility that lies at the heart of several of the trends identified in this and previous sub-sections has multiple and hidden costs.[61] They suggest that the UK 'jobs miracle' is exaggerated and based on low productivity jobs, that low wage employment is shrinking the fiscal base, that benefit claimants must work flexibly but still secure a full-time wage, that outsiders lose out and that long-term productivity is undermined.

4.3 Local opportunity structures, connecting people to jobs and in-work progression

Local opportunity structures – as measured by the quantity and quality of jobs in a local area – are a function of the parts of value chains that are located in a particular area, the extent to which they match the skills of local residents, employers' recruitment and selection policies and whether workers are able to physically access job opportunities. The availability of local opportunities matters most for the least qualified and those with non-work responsibilities that they need to choreograph with employment.

In terms of policy action relating to connecting people to jobs and in-work progression, it can be helpful to distinguish four key stages of a person's employment pathway: (1) pre-employment (2) employment entry (3) staying in work and (4) in-work progression (see Figure 5).

Figure 5: The employment pathway



Source: Green et al. (2015)

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[60] Rubery J., Keizer A. and Grimshaw D. (2016) 'Flexibility bites back: the multiple and hidden costs of flexible employment policies', *Human Resource Management Journal* 26(3): 235-251.

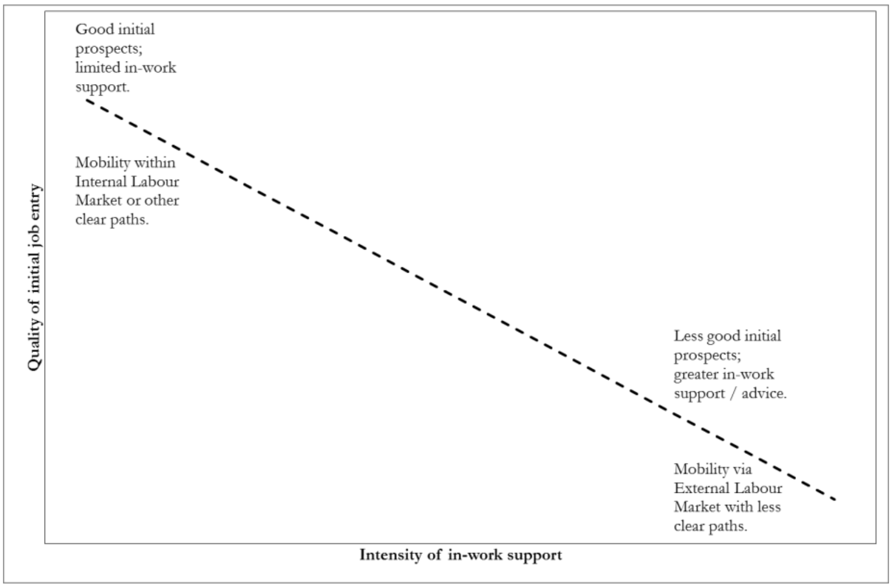
[61] Interestingly, while today 'flexibility' is seen as an important component of employability, a century ago there was considerable concern about 'dead end' jobs and irregular work. Casualised labour markets were seen as unreliable, expensive, inefficient and linked to poverty. By contrast, regular work was a foundation for household financial security and improved economic performance. See http://www.historyandpolicy.org/policy-papers/papers/flexible-employment-and-casual-labour-a-historical-perspective-on-labour-ma

There is more evidence on pre-employment and employment entry than on staying in work and in-work progression. Based on an evidence review Green et al. (2015)[62] suggest that at the pre-employment stage, comprehensive packages of support - encompassing information, advice and guidance, mentoring, and pre-employment training, including job-specific skills designed and delivered with employers' input – are valuable. At the employment entry stage, work experience, workplace-based training and help with transport and childcare can be helpful. Employers' recruitment and selection practices are crucial in helping disadvantaged people into jobs. The quality of the initial job entry – the suitability of the job to the person's circumstances – is important for staying in work. People may need to move between employers to stay in work.

The focus here is on in-work progression. Progression is measured in terms of a higher pay rate - and importantly this is often achieved through developing skills for specific jobs at a higher level. However, for some individuals increased job stability may represent progression. In some circumstances a horizontal move may lead to better long-term prospects. Importantly, not all individuals want to progress in work – in the short-term, or at all. An individual's appetite for progression may be shaped by workplace context and perceived opportunities, as well as by views on what progression entails.

Progression can occur within an internal labour market (i.e. with the same employer) or by moving between employers on the external labour market. The different ways of progressing suggest there is likely to be a trade-off between the quality of the initial job entry and the level of in-work support that might be required to support progression outcomes. Initial jobs with comparatively good prospects may require less emphasis on in-work support to help workers progress. Whereas progression achieved through mobility between jobs might require additional support around career advice and job changing. This is depicted in Figure 6.

Figure 6: Quality of job entry and intensity of in-work support in facilitating progression



Source: Sissons *et al.* (2016)[63]

[62] Green A.E., Sissons P., Broughton K., and de Hoyos M. with Warhurst C. and Barnes S-A. (2015) *How cities can connect people in poverty with jobs*, Joseph Rowntree Foundation, York.
[63] Sissons P., Green A. and Lee N. (2016) *Supporting progression in growth sectors: A review of the international evidence*. Cardiff: PPIW.

Secondary data analysis suggests that a range of individual characteristics including gender, age and qualifications influence the likelihood of leaving low-pay. There are also clear sectoral patterns of pay progression, even when controlling for other relevant factors. Local labour market conditions are important also, with tightening labour market conditions associated with higher wage gains. Changing sector can also support wage growth at the individual level.

As progression is a relatively new consideration for public policy there is only a limited amount of evidence on approaches which have developed to support progression outcomes. There is some robust evidence which comes from the US where there has been greater local experimentation around employment services. The evidence tends to come from programmes which target a pathway approach to employment entry, retention and progression and which adopt a sector-focused approach. This evidence includes evidence from Randomised Control Trials of sector-focused programmes[64]. A current iteration of the sector-focused approach which is demonstrating positive results is the WorkAdvance model developed in New York[65].

The programme has a ‘dual-customer approach’, attempting to simultaneously address participant and employer needs. The characteristics of the WorkAdvance model are:

- Intensive screening of applicants
- Sector-focused pre-employment training;
- Sector-specific occupational skills training
- Sector-specific job development and placement
- Post-employment retention and advancement services.

Universal Credit and devolution offers some potential for policy development on in-work progression. Additionally, there would appear to be scope for development of in-work progression through:

- Developing innovative approaches to progression through Universal Credit and devolution
- Ensuring a wider system of information and advice is in place to support decision-making
- Integrating economic development strategy with progression initiatives to help secure employer buy-in
- Demonstrating and promoting the benefits of clear progression (organisations can play a role in ‘leading by doing’)
- Development of sector-specific career pathways
- Addressing the wider problems of low-paid employment
- Look at business models alongside employment policy

4.4 Looking beyond the statistics – understanding behaviour

Official statistics only tell part of the story about skills and employment, and also productivity. Indeed, in the Labour Force Survey a person is counted as ‘in employment’ if they have completed at least one hour

[64] See Maguire, S., Freely, J., Clymer, C., Conway, M. and Schwartz, D. (2010) *Tuning In to Local Labor Markets: Findings from the Sectoral Employment Impact Study.* Public/Private Ventures. http://www.aspenwsi.org/wordpress/wp-content/uploads/TuningIntoLocalLaborMarkets.pdf

[65] Hendra, R., Greenberg, D., Hamilton, G., Oppenheim, A., Pennington, A., Schaberg, K., and Tessler, B. (2016*) Encouraging Evidence on a Sector-Focused Advancement Strategy Two-Year Impacts from the WorkAdvance Demonstration*. http://www.nyc.gov/html/ceo/downloads/pdf/workadvance_full_report_august_2016.pdf

of work in the reference week. The differences between different measures of unemployment (i.e. ILO and survey measures) are better known). For various new types of employment – e.g. in the gig economy – there is no clear terminology, so making it difficult to measure. Skills are difficult to measure and that is why qualifications are used as a proxy.

This suggests that there is a need to look beyond the statistics to discover what is happening in the economy and how individuals, employers and training providers make their decisions. And these decisions are often made on grounds that do not accord with economic rationality – because of behavioural forces. This suggests that research on behavioural insights is important. So, for example, employment projections, vacancies and local knowledge may indicate an under-supply of a particular type of training provision which a college then provides. However, the number of applicants may be insufficient to make the course viable, or the course may run but employers may choose to take on migrant workers or employ graduates who possess soft skills rather than take on recruits who have taken a vocational course at a lower qualification level (despite labour market information suggesting a demand for roles at a lower NVQ level). Similarly, in another example, despite good job prospects in certain sectors individuals may choose not to pursue appropriate training courses because of the (negative) image of the sector.

Perceptions matter; they shape behaviour – not only of WMCA residents but also of individuals and employers from outside the region that the WMCA might want to attract to boost the regional economy, the skills base and productivity. This suggests that case study and qualitative research to understand perceptions and decision-making processes is an important complement to labour market information based on secondary sources.

A related issue is the need to understand the (changing) values of different sub-groups. Of particular note here is an emerging evidence base on millennials' desire to place greater emphasis on their personal needs and values and move more quickly through organisations than previous generations.[66] This underscores that skills development needs to be tailored to the aspirations and lifestyles of different sub-groups.

5. Recommendations

The evidence presented in previous sections highlights the need for the for a well-functioning local skills ecosystem, ideally characterised by a dynamic positive interdependence between firms, institutions and other actors, together delivering local skills needed by a diverse range of employers providing a range of good quality jobs.[67] For local skills ecosystems to work effectively the evidence[68] suggests that:

- A broad range of stakeholders and partners need to be involved;
- Employer engagement has to be achieved;

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[66] For instance see PWC (undated) *Millennials at work: Reshaping the workplace;* Berry C. and McDaniel S. (2018) 'Young workers' perspectives on the economy, crisis, the labour market and politics', *SPERI British Political Economy Brief* 30, University of Sheffield.

[67] See a seminal paper on high-skill ecosystems: Finegold D. (1999) 'Creating self-sustaining high-skill ecosystems', *Oxford Review of Economic Policy* 15 (1): 60–81.

[68] Green A., Hogarth T., Thom G., MacLeod K, Warhurst C., Willis R. and Mackay S. (2017) 'Local Skills Case Study', *Department for Education Research Report* 643, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/603951/Local_skills_case_study.pdf

- 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

So these are important structural features that are desirable for the WMCA.

On the basis of the evidence presented in previous sections and manifestos for the Mayor prepared by selected think tanks/ other organisations[69] in preparation for the Mayoral Elections and liaison with the WMCA Productivity and Skills Commission Technical Reference Group, key recommendations relating to skills and employment are set out below:[70] (note that this list is not in any priority order, nor is it exhaustive):

Action	*Who*	*Potential impact on productivity*
1. Within the Regional Skills Plan identify a series of actions aimed at *driving up engagement for a specified set of sub-groups characterised by low labour force participation rates*. These would build on the work of WMCA's DWP-funded Employment Support Pilot, adopting a 'geographical saturation' approach in testing the value of utilising social networks and social capital in removing barriers to paid employment.	WMCA, DWP, training providers	Enable some of the non-employed to enter employment and commence a journey to higher value employment
2. Use the Regional Skills Plan (and subsequently information and intelligence from the Skills Advisory Panel) to develop an *employer engagement strategy* drawing together existing local authority, LEP and sector-based initiatives in the region.	Local authorities, LEPs, WMCA	Help individuals to understand employers' skills requirements and employers to influence skills initiatives, so achieving an enhanced skills match.
3. *Create and support a FE-HE partnership* based on existing FE and HE sector groups to help: (1) increase the take-up of higher levels skills programmes, particularly apprenticeships; and (2) improve progression in technical education from levels 2-5, focusing in particular on the 15 pathways identified in the Industrial Strategy and the Post-16 Skills Plan.	Regional FE Colleges, Regional Universities	Improved coherence in routeways to higher level technical skills, and their promotion, should contribute to addressing higher level technical skills deficiencies and in turn boost productivity.

[69] D'Arcy C. Resolution Foundation (2016) *Midlands Engine Trouble: The challenges facing the West Midlands Combined Authority,* Resolution Foundation, London http://www.resolutionfoundation.org/app/uploads/2016/12/West-Midlands-Metro.pdf ;Joseph Rowntree Foundation (2017) *Inclusive growth in the West Midlands: an agenda for the new Mayor.* https://www.jrf.org.uk/file/49917/download?token=s4vwNXky&filetype=briefing; Centre for Cities (2017) *Three policy priorities for the West Midlands* http://www.centreforcities.org/reader/three-policy-priorities-west-midlands/
[70] This list is not in not in any priority order, nor is it exhaustive

4. Ensure that ongoing intelligence is gathered from employers on *digital skills needs* and from education and training providers on barriers and opportunities to developing digital skills provision, with a view to embedding digital skills across different training offers (at all levels) in the Regional Skills Plan, in sector strategies and in the Local Industrial Strategy.	WMCA, LEPs, SAP	Enhance supply of digital skills where skills deficiencies are currently holding back potential productivity gains across a range of sectors.
5. Look to develop an *all-age careers guidance entitlement* using existing service providers and online forms of careers support	WMCA, National Careers Service, Jobcentre Plus, Universities, FE Colleges, Schools	Enhanced guidance can help individuals to make more informed decisions about education/ learning/ skills development choices – to meet their own needs and those of the economy.
6. Work with employers and sector bodies to *improve job quality in high employment low-wage sectors*, and *target* marketing of *medium and high level skills development programmes at employees in high employment low-wage sectors*	Sector bodies, CIPD, skills and training providers, UC Work Coaches, Careers Advisors	Upgrading/ enhanced progression from low-wage low-value jobs should help raise productivity.
7. Alongside programme monitoring and impact evaluations, look beyond quantitative indicators and models predicated on economic rationality to *qualitative case studies and behavioural insights research* to gain enhanced understanding of the behaviour of individuals, employers and training providers. Specifically could include consideration of behavioural insights research in evaluations of programmes - to shed light on low take up of certain types of training, learners' behaviour in terms of choice of courses and subsequent destinations, etc.	WMCA, SAP	Help inform what does/ does not work in skills investment.
8. *Monitor the impact of Brexit* – especially on 'migrant dense' sectors and occupations – and work with employers and training providers to find alternative labour sources and/ or adapt jobs/ working conditions to make them more attractive.	WMCA, SAPs, sector bodies, employer representative organisations	Labour and skills shortages will impact on productivity. Monitoring will help highlight issues as they emerge to inform skills development needs.