

# PRODUCTIVITY AND PLACE

The role of LEPs in raising  
the demand for, and use  
of, skills at work

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## Report

# Productivity and place: the role of LEPs in raising the demand for, and use of, skills at work

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## Acknowledgements

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## 1 Introduction

Effective skills utilisation in the workplace, that is, the extent to which the skills held by an individual match those required by their job, is well recognised as beneficial to individuals, organisations and the wider economy. Yet the UK experiences high levels of skills mismatch, with either under-utilisation of workers' skills or workers who are inadequately skilled for their roles. Poor skills utilisation, alongside poor management quality, is generally held to be a central part of the UK's productivity problem. National skills policy, particularly in England, arguably exacerbates this with its emphasis on skills supply. Policy is premised on the assumption that delivery of high-level skills will stimulate demand for them and that enhanced productivity will follow. Current UK productivity levels, which follow decades of supply-focused skills policy, evidences that this is demonstrably not the case. Despite the noted productivity benefits of skill development/matching, many firms (particularly smaller or family-owned firms) continue to take a 'low-road' approach to labour and see it as a cost to be minimised, rather than an asset to be invested in. This results in the widespread offer of low-skilled work in the UK.

To address this, a recent Organisation for Economic Co-operation and Development (OECD)<sup>1</sup> report exhorts an 'ecosystem' approach to skills utilisation that seeks to reconcile skills supply and demand at higher levels. Mechanisms to influence skills demand include job design and robust human resource management practice, perhaps via business support programmes, to increase job quality and skills usage in the workplace.<sup>2</sup> The OECD further calls for local-level approaches to economic development, arguing that these are particularly appropriate for small and medium-sized enterprises (SMEs), which often have a local focus. In England, local skills policy falls within the remit of Local Enterprise Partnerships (LEPs), which are the vehicles charged with promoting local economic growth and establishing Strategic Economic Plans to outline how to deliver this. Many have, however, questioned the LEPs' capacity to deliver on this remit, given their size, resources and tendency to reflect national policy in prioritising skills supply over attempts to influence demand. While LEPs vary widely, many operate within low-skills equilibriums, that is, supply of and demand for low-level skills, which creates a negative cycle of firms operating low-road approaches and failing to invest in the workforce and their skills.

In addressing these issues, this report explores the knowledge, role and capability of Local Enterprise Partnerships in addressing the skills utilisation challenge. In more detail, it asks:

- Why is addressing skills mismatch and skills use important? Where does the UK stand in the international context?
- What is the local dimension of skills mismatch? What can local areas do to address it?
- What is the extent of skills mismatch in LEP areas?

There are three parts to the analysis. First in section 1, the UK's position on skills utilisation, productivity and management quality is presented, followed, in section 2, by an overview of the skills utilisation and productivity positions of LEPs in England. Second, section 3 presents an analysis of LEP documents and the extent to which these have recognised, and prioritised, addressing skills utilisation. This explores the argument that the focus of local concerns with skills has been largely framed with reference to skills gaps and shortages, and a narrow focus on the flow of skills, rather than on the stock and the broader issue of raising the demand for skills or improving the use of skills locally.

Finally, in section 4, these themes are further explored in interviews with representatives from 15 LEPs. The conclusions drawn, in section 5, suggest that many LEPs appear to have made limited progress towards the ecosystems approach recommended by the OECD and continue to emphasise skills supply over skills demand. Skills utilisation is thus compromised and flaws are revealed in the assumption that simply delivering higher-level skills into the local economy will result in employers offering employment that requires these skills, moving up the value chain and enhancing productivity. Section 5 also presents brief recommendations as to national and local actions to improve skills utilisation; these recommendations are more fully developed, along with illustrative examples of international good practice, in an accompanying document to this report.<sup>3</sup>

The report is timely and important in identifying the scale of poor skills utilisation and suggesting both national and local policy levers to address it. While the UK's so-called 'productivity puzzle' is complex and multi-faceted, effective skills utilisation is central to any attempt to tackle it. Action against the recommendations presented here offers the opportunity to make progress in enhancing both national productivity and, importantly, the working lives of many in the UK workforce.

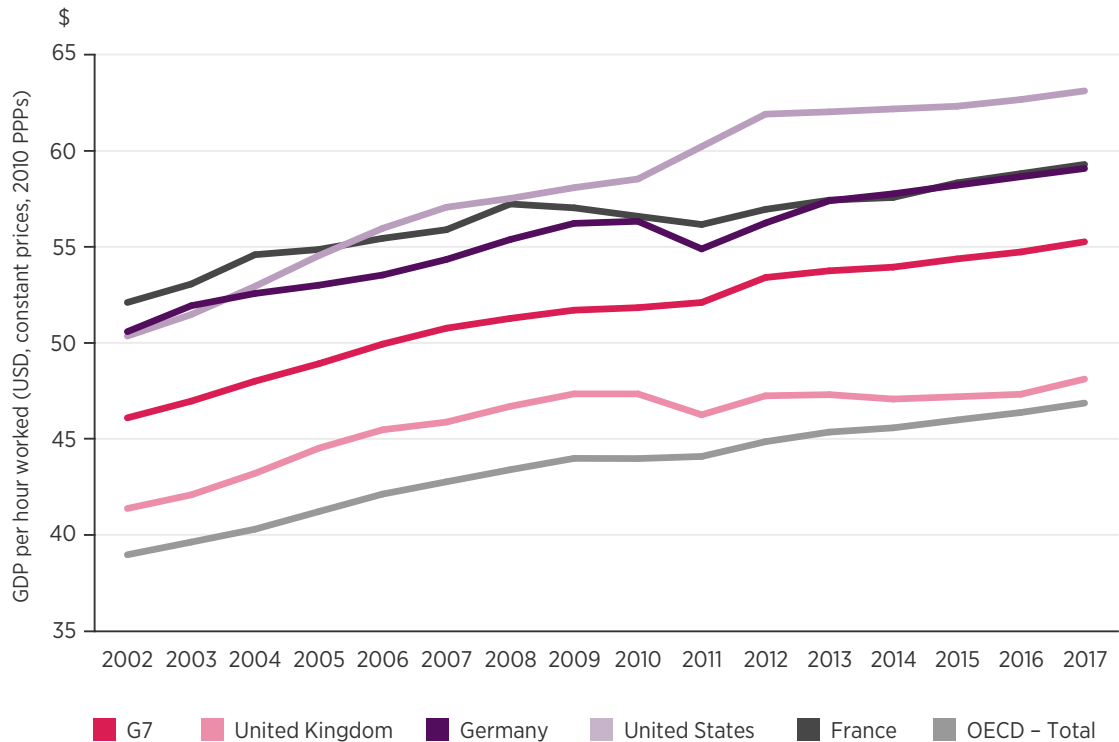
## 2 Productivity, skills use and place

How skills are effectively used, or not, in the workplace has important economic and social implications. Individuals who report using their skills fully in the workplace have increased job satisfaction, earn more, and are more resilient to change, while businesses benefit from a more productive workforce and increased profitability.<sup>4</sup> On the other hand, it has been shown that workers whose skills are not matched well to their jobs suffer from increased stress, either because they do not have the skills they need to do the job as well as they would like, or frustration because they can do more than the job allows. This is supported by a recent meta-analysis of research over the past 25 years into perceived overqualification, which found that workers reporting that they were overqualified for their roles were more likely to be dissatisfied with their job, lack commitment to their organisation and experience psychological strain.<sup>5</sup> For businesses, poor use of skills can impact productivity not only from reduced efficiency within firms, but also because it makes it harder for more-efficient firms to expand.<sup>6</sup>

### **The scale of the UK's productivity and skills challenge**

The UK has a productivity problem. Figure 1 highlights the considerable gap in labour productivity performance compared with Germany, the United States and France. The reasons behind this are not entirely well understood; however, a number of commentators<sup>7</sup> have pointed to both the long tail of poorly managed firms in the UK, relative to other countries, and poor skills development and skills use in the workplace, as key contributing factors.

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

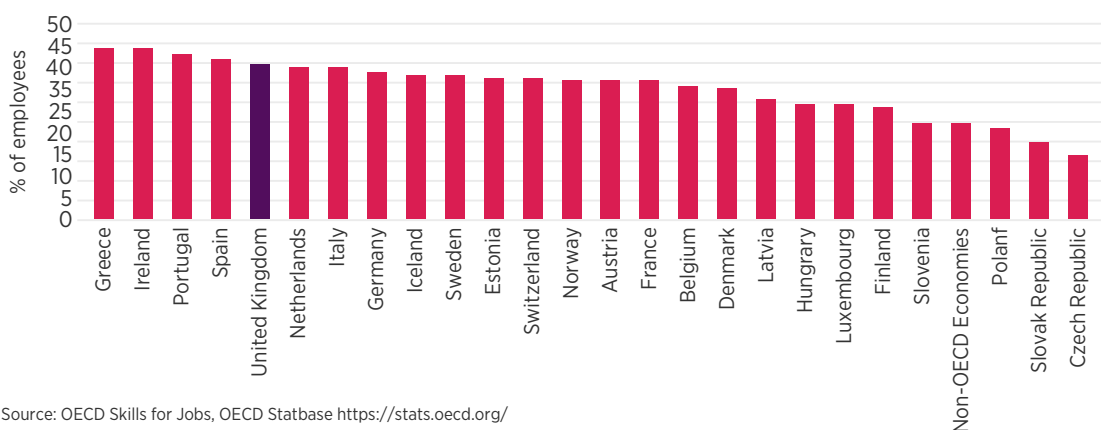


Source: OECD Compendium of Productivity Indicators, OECD Statbase <https://stats.oecd.org/>

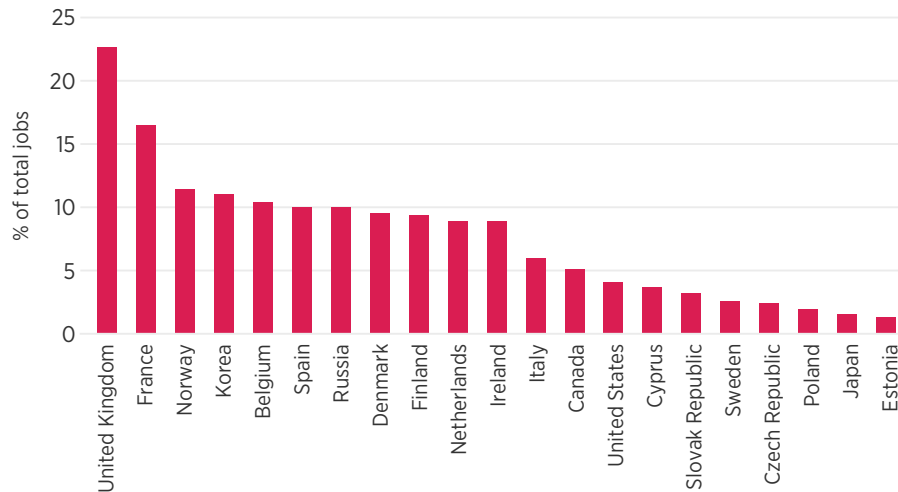
A significant part of the UK’s low productivity levels, compared with some other major OECD economies such as Germany, is attributed to poor workforce skills development,<sup>8</sup> as well as how well an individual’s skills are matched to their jobs and whether they are used effectively in the workplace. For example, OECD research finds that the UK could benefit from a 5% productivity gain if the level of skills mismatch were reduced to OECD best practice levels.<sup>9</sup>

While measuring the extent of skills mismatch is difficult, with wide variation in estimates depending on the methodology used, the evidence on balance suggests that the UK has a relatively high level by international comparisons. Figure 2 shows qualification mismatch (the proportion of workers who think that they are either overqualified or underqualified for their job) in EU countries in 2015, with the UK ranking fourth from the top in terms of the proportion of workers who report a skills mismatch. Alongside this, the UK also stands out in international comparisons for the high proportion of jobs that require no qualifications, as demonstrated by Figure 3, reflecting a higher proportion of employees in jobs with a low demand for skills.

**Figure 2: Qualification mismatch across Europe, 2015 (%)**



Source: OECD Skills for Jobs, OECD Statbase <https://stats.oecd.org/>

**Figure 3: Proportion of workers who say their job requires no qualifications (%)**

Source: OECD Skills for Jobs, OECD Statbase <https://stats.oecd.org/>

A key challenge for the UK is to reduce skills mismatch and increase demand for skills, which begs the question how to achieve this.

### Why high-quality management is key

Andy Haldane<sup>10</sup> has recently highlighted the extent, and persistence, of the UK's long tail of underperforming firms, stating that *'around one-third of UK companies have seen no rise in productivity throughout this century'*, and points to poor management practices as one of the driving factors behind this under-par performance.

The weakness of management quality in the UK has been well documented by Bloom and Van Reenen,<sup>11</sup> who have demonstrated that, relative to the US, France and Germany, the UK has the lowest 'management quality' score. Alongside this, they have shown that the UK-US gap has remained persistent over time, and that this overall poor management score is primarily due to a long tail of very badly managed firms. Poor management was found to be most prevalent in sectors where competition is weak and in family-owned firms that choose their CEOs by primogeniture (succession to the eldest son). The UK has both a significantly larger proportion of family-owned firms compared with the US and a much larger proportion of firms who choose their CEO in this manner (two-thirds compared with a third of US firms).

While the link between poor management, labour productivity, and skills mismatch is not well established, because of a paucity of literature that has examined all three factors together,<sup>12</sup> a recent study by the OECD has provided some fresh insights. Theoretically, they propose two main channels via which skills mismatch can impact firms: through within-firm productivity and through inefficient allocation of resources across firms.<sup>13</sup> In terms of within-firm productivity, the OECD finds that differences in managerial quality can explain the relationship between underqualification and underskilling and labour productivity. That is, that better managers would appear to be more effective at matching the qualifications, knowledge, skills and competencies of a worker to those required by a job. The research also identified a strong negative relationship between overskilling and labour productivity via the allocative efficiency channel. The authors suggested that this could, in sectors and economies with a high share of overskilled workers, be the result of skilled labour becoming trapped in low-productivity firms, making it more difficult for more efficient firms to expand and gain competitive advantage.

### **If there are clear business benefits, why aren't more employers reaping them?**

The business benefits of better use of skills in the workplace appear on the face of things, both intuitively and empirically, to be pretty clear-cut. Yet, despite this, many firms still adopt a 'low-road' approach to competitiveness and see human resources as a cost to be minimised rather than invested in and properly harnessed.<sup>14</sup>

There are various reasons why some employers continue to adopt a low-road strategy. These include: that companies are still able to make profits as demand for low-value products and services still exists; that a low-road strategy can be self-reinforcing, in that previous decisions relating to capital and human investments take on path-dependency and determine future investments; a lack of awareness amongst managers on how to shift to a 'high-road strategy' and the quality of workplace relations, which can be a particular challenge amongst SMEs; a focus on short-term gains rather than long-term benefits; and, changes in the economy, with more employers adopting a low-road strategy in times of economic contraction.<sup>15</sup> These factors are deeply embedded in the UK economy and raise the question as to how policy-makers can address them.

### **UK skills policy**

Skills policy in the UK has focused almost exclusively on increasing the supply of skills, with the assumption that the availability of a more highly qualified workforce would lead employers to shift to higher-value product market strategies. This in turn would lead to a further upward shift in demand for skills and associated increases productivity.<sup>16</sup> As demonstrated by Figure 1, this productivity miracle has clearly failed to materialise. The UK now boasts one of the most highly skilled economies in the world, with graduates making up 42% of the workforce, but has failed to narrow, indeed has seen a widening of, the US-UK productivity gap over the last 20 years.

Recently, there has been a slight shift away from this narrative in the UK, with Scotland initially leading the way. In 2007, the Scottish Government launched its Skills Strategy, which focused both on the supply of and the demand for skills. Following this, the then UK Commission for Employment and Skills (UKCES) launched a number of reports and projects, most notably the UK Futures,<sup>17</sup> which aimed to address workforce productivity issues in a number of sectors. Most recently, the Government has launched Be the Business, a 'movement' aimed at improving the productivity of firms through better people management and leadership. However, these activities have been very much at the margins and characterised by small-scale pilots that have not been scaled or mainstreamed.

### **Why policy focus at the local level is critical**

Employer demand for skills, and the ways skills are used in the workplace, has seen increased focus in local economic development in recent years. The OECD Local Economic and Employment Development programme has been particularly influential in pressing the case and has argued that policies to tackle skills mismatch include improved job design, human resource management and businesses' product market strategies.

Further, these should be focused at the local level, as: *'it is often at the local level where the interface of these factors can be best addressed. Policies which aim to improve skills use in the workplace can address the multifaceted challenges many local economies are facing and contribute to national productivity and inclusive growth objectives.'*<sup>18</sup>

The importance of the local dimension is particularly relevant in the case of SMEs, which are much more likely to serve local markets and are required to draw from a local supply of skills. It is also the case that smaller firms find it particularly difficult to put into place practices that make best use of their employees' skills because of poor management or a lack of a specialised HR function.<sup>19</sup>



*‘Promoting increased skills utilisation in the workplace requires a new response at the local level. Part of the response falls within the traditional purview of public policy, including programmes to boost innovation and vocational education and training. Another critical factor involves working more directly with employers to look at issues related to work organisation, job design and human resource development practices. This requires a move away from policy silos, which can build up at the local level, to bring together employment services, training policies, economic development organisations as well as innovation programmes.’ (OECD 2017)*

The OECD has recently identified<sup>20</sup> a number of features of policies and programmes that have the potential to support enhanced skills use within local economies, they include:

**Raising awareness of the challenge and recognising businesses who take the ‘high road’**

There is a lack of awareness amongst the business community about the benefits of making better use of workplace skills. This is despite growing recognition of the importance of in-work progression,<sup>21</sup> that is, the opportunity for workers to enhance both skills and pay, in improving both job satisfaction and productivity. The public sector can promote greater awareness of skills utilisation amongst employers and the business benefits to be gained from better skills utilisation. Examples of approaches include the Hitachi Foundation’s Good Companies@Work programme in the United States, which recognises ‘Pioneer Employers’ that provide quality jobs and career pathways for lower-wage workers, and the Australian Training Awards, which recognise small enterprises that deliver high-quality nationally recognised training and which has improved productivity and profitability.<sup>22</sup>

However, the limits to what these ‘soft’ approaches can achieve should be noted. In particular, they are unlikely to reach many businesses and, even if they do, managers may lack the capabilities to put in place new ways of working, even when made aware of the challenge.

**Providing support to employers to help them redesign work**

In many cases, direct intervention is needed to support employers to reshape workplace practices or move to higher-value-added production that supports more effective utilisation of skills. Evidence from Finland highlights the value in supporting firms directly to improve their people management skills and redesign work to harness the existing competencies of employees. Since the early 1990s, Finland has funded more than 1,800 projects, which involved nearly 350,000 employees, to improve workplace innovation. The typical focus included work processes, organisation of work, supervisory tasks, work community, working methods and business-to-business networks. The aim was to improve both productivity and the quality of work.<sup>23</sup> The programme’s evaluation emphasised that narrowly designed interventions are unlikely to have much impact; instead, interventions need to target bundles of practices *‘that consist of several interrelated work, organisational and human resource management practices on the whole, rather than individual practices as such’*.<sup>24</sup> The findings also highlighted the critical role of external experts in supporting firms to upgrading workplace organisation. Building on this, a recent UK pilot<sup>25</sup> (People Skills) that offered people management support to small firms had promising results in respect of enhancing management practice, though it was short term in nature.

### **Working at the level of sectors and employer networks**

While direct intervention with individual businesses is important, international evidence highlights the benefits of local approaches that target multiple employers through sectors and employer networks. In the Riviera del Brenta in Italy, for example, collaboration between local employers in the footwear sector, as well as trade unions and the public sector, has helped to raise the demand for and supply of skills. Pooled investment in training and collective upgrading of product market strategies allowed firms to compete in high-quality international markets, while close involvement of the unions ensured that the benefits gained from improved productivity were shared between workers and employers.<sup>26</sup>

### **Leveraging the role of anchor institutions**

Anchor institutions are institutions with a strong local presence that make a significant contribution to a local economy. They include universities, colleges and training institutions, chambers of commerce, and major employers. International examples highlight the important role they can play in supporting business to improve their product market strategies and access the skills and training they need to deliver these. For instance, Niagara College in Ontario, Canada, helps local businesses meet their skills needs through devising bespoke specialist training, but has also set up an applied research unit that helps local firms to upgrade their products and business strategies. The unit works with firms in areas such as product and process applied research, engineering design, technology development, product testing, proof of concept, piloting and problem-solving.<sup>27</sup>

### **Creating a regional brand**

The OECD also highlights the role that local authorities can play in creating a regional brand, working to develop a place-based approach that *'creates a community-wide vision for how the local economy should be organised'*.<sup>28</sup> Local authorities have an important role to play in leading by example, ensuring that they take the lead in training and utilising the skills within their own workforce and leveraging change through procurement. For instance, in San Antonio, Texas, the city has developed an economic development strategy that is explicitly focused on generating good quality in globally competitive sectors.<sup>29</sup>

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

The OECD's call for local economic development activity creates a substantial focus on Local Enterprise Partnerships (LEPs). LEPs were set up in 2010 and tasked with promoting local economic growth. Today there are 38 in total and they vary considerably in size and scope, with city region LEPs containing populations of 2–3 million and more rural and smaller LEPs covering populations of less than a million. Staffing levels also vary, with the largest LEPs employing 40 full-time staff and the smallest having only two employees.<sup>30</sup>

The capability and capacity of LEPs to promote local economic growth has been highlighted recently by the National Audit Office, who found only 5% of LEPs thought that they had the necessary resources, while 69% of LEPs reported that they did not have sufficient staff and 28% did not think that they had sufficiently skilled staff.<sup>31</sup> Despite differences in size and capability, all LEPs had to produce Strategic Economic Plans (SEPs) to support their bids for public and private monies. The SEPs also include a growth strategy and implementation and delivery plan, mostly with a focus on improving private sector

productivity through investment in key areas, such as: infrastructure/connectivity, skills/apprenticeships, employment, innovation, tourism and business support. Most SEPs also express an aspiration to deliver inclusive growth, that is, growth that is distributed fairly and creates opportunities for all,<sup>32</sup> so that both workers and businesses benefit.

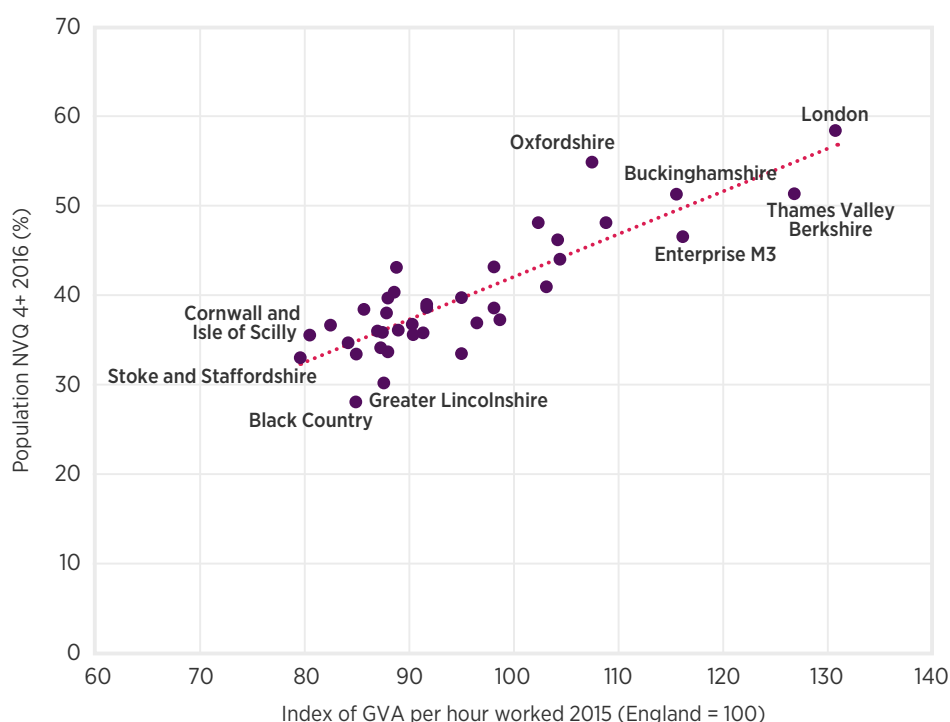
It has been argued that LEPs have focused on a narrow range of industries and tended to exclude a large proportion of the local economy.<sup>33</sup> While many LEPs have also included a focus on skills, this has mostly been framed in the context of devolution and the ambition to influence the local skills system, with a number of City Deals including elements of skills policy. Historically, the focus of local concerns with skills has largely been framed with reference to skills gaps and shortages, and a narrow focus on the flow of skills (that is, those coming from education) rather than on the stock (that is, those already in the workplace). Limited attention has been paid to the broader issue of raising the demand for skills or improving the use of skills locally.

### Local Enterprise Partnership areas: skills supply and demand analysis

LEP areas face very different circumstances and challenges, both generally in terms of economic development and specifically with regard to skills. It is outside the scope of this research to fully document the individual challenges of all 38 LEP areas. However, it is useful to consider a few key indicators with regard to skills and productivity and how this varies across LEPs. It should also be noted that LEP areas not only vary in terms of local challenges and strengths, but also experience considerable variation within LEP areas themselves.

Figure 4 shows a correlation between the proportion of residents educated to degree level or above (NVQ4+) and gross valued added (GVA, a typical indicator of productivity) per hour worked in LEP areas. It shows a clear and familiar pattern, with areas in London and the south-east of England outperforming the rest of the country on labour productivity and the proportion of highly qualified residents, and a clustering of a large number of underperforming LEP areas outside of these areas.

**Figure 4: Relationship between GVA per hour and population with high-level skills, Local Enterprise Partnership areas (%)**



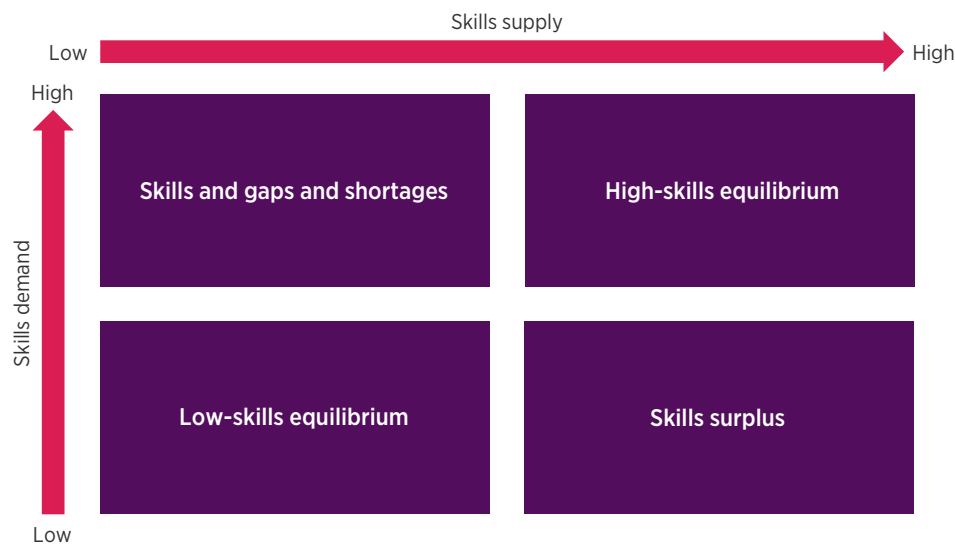
Source: CIPD analysis of GVA per hour worked. Subregional Productivity: Labour Productivity (GVA per hour worked and GVA per filled job) indices by Local Enterprise Partnership, ONS and Annual Population Survey, ONS

Figure 5 shows a simple typology designed by Green et al<sup>34</sup>, and used by the OECD<sup>35</sup>, to show the relationship between skills supply and demand at local (or regional) level, with each of the quadrants representing:

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

When both the supply of and demand for skills is low, a vicious cycle can develop within a local economy that can drive further declines in skill levels and job quality. When the demand for skills is low, individuals lack incentives to improve their skills, and companies may be more reticent in changing their product market strategy to more skill-intensive production and services. This means that many low-skills equilibrium economies are likely to be associated with a *‘significant proportion of firms operating with low value added strategies and paying low wages’*.<sup>36</sup>

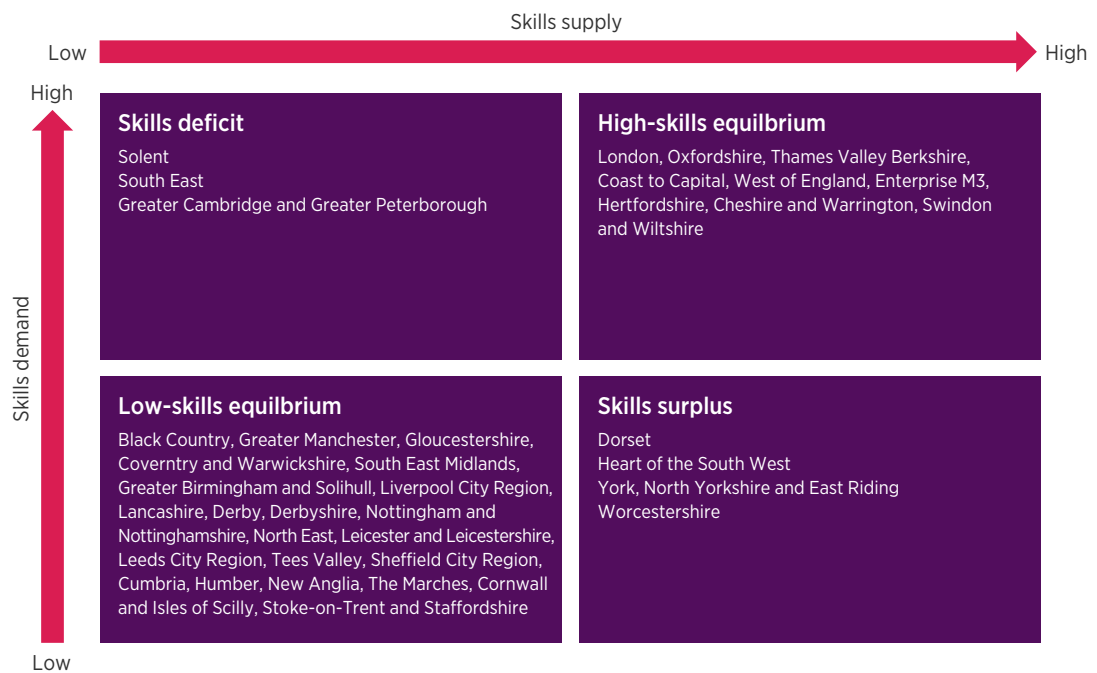
**Figure 5: Moving from a low- to a high-skill equilibrium**



Source: OECD. (2009) *Designing local skills strategies*. Paris: OECD Publishing (adapted from Green et al 2003<sup>37</sup>)

Analysis of the balance between skills supply and demand by LEP area, using information on qualifications (supply), GVA per hour worked and occupational composition<sup>38</sup> (demand) is shown in Figure 6. It should be recognised that this is a ‘broad brush’ approach, rather than a detailed assessment, and there is likely to be considerable variation both within and between local areas. However, it is clear that a large number of LEP areas face considerable challenges, exhibiting below-average GVA per worker, a smaller proportion of high-skill occupations than the national average, and a higher proportion of residents with low or no qualifications.

**Figure 6: Relationship between supply and demand: typology of LEP areas**



This analysis highlights the importance of developing a strategic approach to tackling weak demand for, and poor utilisation of, skills in England’s sub-regions. The next section presents the results of our investigation into the extent to which LEPs have recognised the problem and, if they had, what activity they were undertaking to address the challenge.

## 4 Analysis of Local Enterprise Partnership documents

Analysis here focuses on the extent to which LEP documents have recognised, and prioritised, addressing skills mismatch. This builds on the argument that the focus of local concerns with skills has been largely framed with reference to skills gaps and shortages, and a narrow focus on the flow of skills, rather than on the stock and the broader issue of raising the demand for skills or improving the use of skills locally. Analysis explores attempts to both raise employer demand for skills and tackle skills under/overutilisation, as a means to raise productivity. The particular challenges facing SMEs are also explored.

### Explaining the documentary analysis

The analysis draws on documents produced by the 38 LEPs in England, including Strategic Economic Plans, City Deals, Skills and Employment Plans (where available) and other relevant documents. Analysis of their content was conducted using NVivo, a powerful qualitative analysis software package, to identify reference to specified skills issues that covered both skills supply and demand.

When established, each LEP was charged with producing a Strategic Economic Plan (SEP) by March 2014. Many, but not all, LEPs have since updated their original plan, or are in the process of doing so. As a result, not all have the original plan on their website, but almost all of the 2014 originals are available from the LEP Network site ([www.lepnetwork.net/the-network-of-leps](http://www.lepnetwork.net/the-network-of-leps)).<sup>39</sup> The analysis includes the LEPs’ original 2014 SEPs, and any subsequent updates or review that were available, plus any more focused skills strategies

or review. Some LEPs were part way through consultation exercises to update SEPs, and consultation documents, where available, have also been included. Documents were sourced from LEP websites and some were easier to navigate than others, but every attempt has been made to be as comprehensive as possible in the documents included. There is considerable diversity of documents, ranging in length from a few pages to 150+, and the subjects and depth of coverage also vary widely. Again, every attempt has been made to ensure that the most appropriate reports have been included. There were 96 documents in total (see full list in Appendix 1).

Using generic text searches enabled coverage of a wide range of sources, but because the software flagged key paragraphs across them all, it was harder to make an assessment of the quality of the various sources, or to identify documents that contained very little discussion of these themes. SEPs ranged from aspirational to rather jargon-laden documents, to more grounded studies making creative and considered recommendations; these are considered in more detail later.<sup>40</sup> All of the raw results for searches involving *skills* (that is, skills supply, skills gaps, and so on) were re-coded to map the different themes that were found under each term. Parent nodes started with core search terms, including *skills supply*, *skills demand*, *skills and growth*, *skills gaps* and *skills and SMEs*, with a series of child nodes then classifying material under each term. Inevitably, there was some duplication in this process, which was addressed by one round of re-coding. The coding process led to the creation of two additional parent nodes, *skills – linking supply and demand* and *skills and people*, the latter intended to capture material related to individuals and their experience of the labour market. For the most part, relevant material could be extracted from the paragraphs saved in the text search process. Where this was unclear, the original document was checked and sometimes additional material was then also coded from the document, where it seemed relevant. The coding process sought evidence of innovative approaches to skills, in particular recognition of employer role in skill demand, for example, retention and in-work progression, and of the particular challenges faced by SMEs.

While NVivo is a very powerful analytical tool, it does have limitations. It gives only overview figures, for example, it counts mentions of the term in headings and on contents pages, and in references and tables, as well as in the main body of the text. Quantitative analysis of search results should then be interpreted with a degree of caution. It does, nevertheless, give an indication of the prevalence of a particular concept or term in the documents. It is also possible that relevant discussions have been missed in this process, if a particular report uses a slightly different word or phrase from that identified by the research team.

### **What did the documents say about skills?**

The detail of the keyword search is presented in Appendix 2. In summary, and unsurprisingly, all the documents included references to growth, work, skills and education, and almost all also included productivity and funding, with most also mentioning SMEs. A word cloud gives a sense of the key themes of documents (Figure 7).





*In line with our ambition to support Transformational Opportunities for the Heart of the SW we must also create a world class workforce to support higher value growth, through improving enterprise and business skills, improved technical and higher level skills and maximise the employment and skills opportunities arising from our transformational opportunities.*

In similar vein, the Black Country SEP states: *'Our aim is to grow our global supply chain with the world class skills it demands,'*<sup>42</sup> while Cheshire and Warrington recognises that skills are *'key drivers of the economy (which) enable businesses to grow and innovate and individuals to get jobs and progress'*.<sup>43</sup>

Some of the SEPs, and in particular LEP skills strategy documents (where available), explore the relationship between skills and growth in more detail, explaining why investing in skills can be expected to impact on growth. Much of this analysis reflects a view that to thrive, businesses must become more competitive in an increasingly global marketplace. To achieve this, given higher UK costs than in many other parts of the world, increases in productivity and targeting high-quality or niche markets where prices will be higher are essential:

*Lancashire's continuing focus on strengthening its industrial base by targeting the innovation, skills and supply chain solutions required to ensure Lancashire remains globally competitive and attractive to international investors will ensure the long-term viability of the area over the coming years.*<sup>44</sup>

*...raising the skill of the workforce can encourage investment and new product development. Improving the supply of skills is not the only lever for increasing productivity or encouraging the use of high performance business techniques but it is a powerful one.*<sup>45</sup>

Investing in skills is also seen to benefit individuals personally, making it easier for those who are unemployed to find work, and also enabling those in low-paid work to look for better-paid alternatives:

*Improving skills can bring benefits to firms and to employees – it can have a 'win-win' outcome.*<sup>46</sup>

Cornwall's LEP is one of the few that unpacks issues around inclusion and poverty in more detail, flagging, for example, the cost of economic inactivity both to the individuals concerned as well as to the economy, and referring to the 2010 Marmot report<sup>47</sup> as evidence of the links between unemployment and long-term health issues:

*From an economic perspective, increasing economic activity increases inputs into the economy, driving up economic output. Tackling health-related worklessness (and associated caring needs) will be vital to addressing economic inactivity.*<sup>48</sup>

There was little evidence of the LEPs' analysis going further to explicitly recognise the economic benefits (beyond the individual) of training local people. For example, there was no reference to the argument that increasing wages will have a knock-on effect on local demand for goods and services, particularly if skilled workers are also local residents, rather than temporary workers brought in from further afield.

### **Skills gaps**

*There is a substantial skills gap that limits the economic potential of GM.*<sup>49</sup>

*Currently, Northamptonshire experiences a shortfall of skills at every level, which will act as a drag on growth given the link between a high skilled workforce and high productivity and GVA.*<sup>50</sup>



Many of the SEPs identify skills gaps as barriers to growth, arguing that if businesses are to expand and grow, this will only be possible if people with the appropriate skills for the particular job are either already available locally or can be attracted to move to an area:

*Low skills explain most of the productivity gap between GM and the national average. Furthermore, low levels of skill help explain why, in Greater Manchester, economic activity is lower, why unemployment is higher, and why pay tends to be lower than national norms.<sup>51</sup>*

This limiting factor includes both high-level skills and those with technical or practical skills, depending on the nature of the business; if suitable labour is not available, a business cannot expand:

*In the context of this very positive picture, the skills supply chain (for jobs at all levels) is struggling to provide and if not improved will present a real barrier to growth and competitiveness.<sup>52</sup>*

*Skills supply and demand issues are becoming starker with greater skills gaps and shortages which mean there are not always the right skills available or coming through the system to meet employer needs.<sup>53</sup>*

Fifty-five reports mention 'skills gaps', but, when these are coded, most are little more than a simple statement of the missing skills. Some sources do then drill down to analyse possible reasons for the situation or consider how this may change in the future. For example, GCGP LEP commissioned their own employers' survey on skills and training,<sup>54</sup> while SSELEP plan to extend the Essex Skills Demand Evidence Base to other areas of their local economy.<sup>55</sup> The D2N2 LEP in the Midlands also carried out a more extensive mapping of the supply and demand for key technical skills within their local economy. Their resulting Skills Mismatches report documents the range of training provision available and the numbers of students completing particular courses. It compares this with the raw data collected from employers in their area by the UK Commission for Employment and Skills' 2015 survey, to identify both present and likely future skill shortages and also to flag where skills provision is unlikely to meet the gaps.<sup>56</sup> Fourteen sources further identify gaps in 'high-level skills', echoing the earlier narrative that future economic growth is most likely to come from businesses that prioritise high-value activities and cutting-edge skills:

*...the greatest demand for skills is predicted to be at higher skill levels. The Greater Manchester Forecasting Model ... indicates that of the nearly one million jobs expected to be created in the years to 2022..., half will require skills at least to NVQ level 3, and a quarter to level 4.<sup>57</sup>*

*Digital and Tech skills are a key area of opportunity. They can empower entrepreneurs to innovate in disruptive technologies and are increasingly essential to all businesses.<sup>58</sup>*

More detailed analysis then explored responses to skills gaps, focusing first on skills supply initiatives (detail in Appendix 4) and then on skills demand (detail in Appendix 5).

### **Skills supply**

Many of the LEP reports analysed<sup>59</sup> see skills gaps as primarily a failure of 'the skills supply system', which is most commonly taken to mean higher and further education providers:

*Employers, Schools, Colleges and Universities in the county all have a key leadership role in stimulating the future demand for and supply of skills...<sup>60</sup>*

*The University is investing circa £21M into its new Science Centre to help support the STEM skills shortage in the region and as such help on the supply side.<sup>61</sup>*

Most do also recognise that businesses have a role to play in addressing skills shortages. These references have been broken down into three categories:

- to fund investment in skills, by paying for training for their staff:  
*Businesses model a culture of continued investment in the skills of their workforce in order to retain staff in the region and increase labour productivity.*<sup>62</sup>
- to influence skills provision, to participate in skills forums and surveys that attempt to identify current and future skills needs:  
*Employer Panels will be established to identify ... the skills and workforce development needs affecting key sectors in Cumbria ... the panels will be a vehicle for regular and structured dialogue between the employer base, skills providers and the Employment and Skills Commission ... they will help to ensure that provision effectively meets emerging skills needs and that the county has a responsive skills system.*<sup>63</sup>
- a broader role for business that recognises that people also gain, develop and retain skills within the workplace, and that employers have a key role in maximising these opportunities.

References in the final category come closest to recognising the role of employers in ensuring effective skills matches, job design and utilisation of higher-level skills:

*Employers will be required to play an active role in co-producing and co-funding skills at higher levels, as well as investing in their own work forces.*<sup>64</sup>

*Enhancing employer demand and utilisation of skills: The Assessment noted that employers and the business community have a central role to play in optimising demand for, and utilisation of, skills within their business. Many employers may need support with workforce and succession planning to help reduce skills mismatches now and in the future.*<sup>65</sup>

Although most documents presented skills supply in the abstract, as opposed to attached to people, a few did acknowledge the additional 'external drivers' that could also affect skills provision, such as the availability of affordable housing to attract workers to an area.<sup>66</sup> Large cities with strong labour markets and a 'rich cultural offer', notably London, 'act as a magnet for skilled workers from all over the world', but the high costs of housing, childcare, and so on, can also deter migrants, particularly in other parts of the south-east. Elsewhere, however, documents did recognise the importance of the individual, most notably in relation to discussions of unemployment and economic inactivity. A fourth node, 'skills and people', was introduced to categorise this material, with child nodes then being used to highlight a range of issues, including low pay, unemployment, young people, as well as the importance of advice and guidance to help both new entrants and labour market returnees:

*The approach ... will deliver comprehensive person-focused interventions tailored to the level of need exhibited by the individual ... to provide more intense support to those ... that face greatest risk of long-term unemployment.*<sup>67</sup>

*Many young people, particularly from poorer backgrounds..., still do not get the ... advice ... they need to ... make a smooth transition to ... the world of work and realise their aspirations ... the lack of information and advice continues into adulthood, meaning many individuals ... are not supported to continue to develop their skills, throughout their working lives.*<sup>68</sup>

Concerns were also raised that the focus on developing a 'high-skill economy' may leave

people behind:

*...the volume of jobs where workers do not need any qualifications is forecast to fall from 11% to just 7% by 2020 ... unless action is taken to reduce ... the volume of workers with no qualifications, around 4% of the entire LEP workforce would be unable to gain employment even if the economy recovers.<sup>69</sup>*

This concern about the individual rarely continued once they are back in work: only the Manchester and London reports contained significant discussions of skills and in-work progression, and discussions of issues such as flexible employment that could help those who are economically inactive to return to the workforce were even rarer:

### **Skills demand**

*In tandem with the wider labour market and economy, the demand for skills is changing and rapidly evolving.<sup>70</sup>*

Although 40 documents included the term 'skills demand' or 'demand for skills', discussions of this issue were often not well developed. The challenges involved in determining both current and future demand for skills were detailed in several reports, and included the importance of careful analysis, surveys, scoping discussions, and detailed interviews. Again, however, the emphasis of much of this was on businesses identifying the skills they need and education providers then designing courses that meet those needs, rather than a more integrated process. Some LEPs had, however, recognised the importance of 'employer ownership' of skills provision, for example:

*Stoke-on-Trent and Staffordshire needs a demand-led skills system. There is a persistent mismatch between the skills that employers look for and those delivered by the education system. Getting this right would contribute to the productivity and growth of the whole economy.<sup>71</sup>*

Although several LEPs made this link between skills and productivity, Manchester was again one of the few to try to unpack how this actually works, making an important link with skills utilisation:

*There are low levels of productivity and innovation and in GM over £1bn is spent on in work tax credits, demonstrating that many GM residents are working in low-paid jobs often with poor career progression. As well as up-skilling individual residents this needs to be addressed through better skills utilisation and a move to higher value activities by some businesses.<sup>72</sup>*

Some discussions of skills demand also flagged the contrast between a future economy based on a high skill level, high-growth trajectory, and the persistence of the low-wage, low-growth models, especially in former manufacturing heartlands, resulting in low productivity and skill underutilisation. This reflects the type of low-skills equilibriums outlined in section 3.

### **Linking supply and demand**

*We need a good match between skills supply and demand to enable us to reach our economic growth potential.<sup>73</sup>*

Several LEPs recognised that education and training provision would only plug skills gaps if the courses on offer were tailored to meet the particular needs of employers within the regional economy, both now and in the future. 'Linking supply and demand' has sub-themes

including ‘employer role’, matching provision with skills via ‘labour market information’ and the goal of an effective ‘skills ecosystem’ that can deliver a ‘high-skill equilibrium’. The results are presented in Appendix 6.

Analysis demonstrated that several LEPs identified the need to link supply and demand, but fewer actually state clearly how they planned to do so. Some outlined an important role for employers, identifying skill needs and influencing providers, and even to participate in design and delivery of courses. A small number identified the importance of accurate labour market information<sup>74</sup> to match skills provision with current and future business needs, and the danger of a mismatch between academic provision and actual skills required in workplace. Suggestions included:

*...a regional skills ecosystem in which businesses, further education and higher education providers work together to map skills demand and supply and develop key policy areas such as Apprenticeship Frameworks and T Levels and also vocational and academic curricula.<sup>75</sup>*

*Businesses model a culture of continued investment in the skills of their workforce in order to retain staff in the region and increase labour productivity.*

Fewer LEPs made the point that skills utilisation is vital for improving productivity and also continuing staff development/retention.

A key analytic focus was evidence for the argument that skills supply is not just about FE/HE provision, or external providers providing more training opportunities, but also about employers designing job roles to develop and retain key skills and to provide progression opportunities, so that staff retain and develop skills. This then supports a move away from a low-wage, low-skill economy (or hourglass economy). The evidence was, however, limited.

Greater Manchester’s reports went furthest down this road:

*There is a substantial skills gap that limits the economic potential of GM. The root causes of the city region’s skills challenge are numerous, including limited employer investment in skills and participation in shaping provision; skills funding being insensitive to shifting labour demand; weak careers advice and guidance especially for young people; uneven vocational pathways and weak integration of skills and employment policy and funding.<sup>76</sup>*

The London LEP’s detailed analysis contained some innovative ideas and policy proposals. There were occasional hints in other reports, but as these sources were primarily strategy documents, they tended to present bullet points, SWOT analyses and targets, which meant that arguments were not always developed. For example, the Oxfordshire Skills Strategy had the promising subtitle, ‘Building a 21st century skills ecosystem’, but, despite acknowledging employers have a role in skill development/retention, this was not explored in any depth. Instead, the focus is on the mainstream view of skills acquisition through formal training, concerns over lack of SME investment, and so on. The methodology used here means that broader arguments might not have been captured; this point is explored further in the LEP interviews (section 5).

The London LEP includes some interesting proposals in their Skills Strategy, such as:

- *‘[A]n in-work progression initiative ... focusing on sectors with high concentrations of low pay and low skills such as construction, retail, hospitality and social care ... to trial innovative approaches to improve wage and skills progression amongst low skilled, low paid Londoners...’.*
- Collaborations between the LEP and larger employers ‘to test how employer-led

*interventions may help to improve skills utilisation ... and job quality in order to improve progression’.*

- Encouraging large companies to support SMEs, with HR/people management advice *‘to better match skills to their business and growth needs, thereby promoting productivity through skills development and the effective use of skills by small businesses’.* Co-ordinated through the London Growth Hub and starting with SMEs within their supply chains.

The Manchester documents went the furthest towards influencing skills demand. They recognised the importance of linking up skills demand and skills supply, and of placing employers *‘at the heart of our skills and work system and (ensuring that they are) incentivised to invest in, and utilise, the skills of their workforce’.* A key strand of the GM strategy was to ‘upgrade low skill/low pay sectors’ which are over-represented and recognition that *‘an exclusive focus on reforming the skills supply system will be insufficient: supporting businesses to move up the value chain will also enable skills performance.’*

GM also evidenced:

- poor skills utilisation (for example some evidence that there are more degree-level-qualified people in GM than there are degree-level jobs)
- growth of low-paid jobs, although the number of low-skilled occupations staying the same; implying that higher skills do not necessarily prefigure higher pay
- the persistence of a significant number of businesses which compete on price alone, and *‘are often orientated towards “low price, low skill, low pay” product market strategies’.*

Given limited demand for skills, *‘GM will therefore be working with employers ... to invest in skills and improve skill utilisation and help firms compete on the basis of higher skills and greater innovation.’*

### **SMEs and skills**

A particular emphasis here is on SMEs and their approaches to issues of skills demand and supply, given the long tail of low productivity in this group. Keyword searches identified 155 paragraphs containing both the terms ‘SMEs’ and ‘skills’. These were reviewed and re-coded, to explore the key issues that recurred in the LEPs’ documents in relation to SMEs and skills (see Appendix 7 for detail).

Fifty-six of the 96 reports specifically addressed the issues faced by SMEs in relation to skills, and much of this discussion focused on their additional challenges. These two quotes were typical:

*SMEs face particular problems in addressing skills needs. Because of the costs and time involved they find it relatively harder to afford to train their staff, or to offer good quality apprenticeship places....<sup>77</sup>*

*SMEs tend to find it more difficult to recruit ... (...due to ... small recruitment budgets, a lack of HR expertise and a lack of brand recognition), and are less able to ‘recruit on potential’ as they tend not to have the capacity to ... develop staff who don’t have all the required skills. SMEs can find it more difficult to retain staff, ... having fewer career progression opportunities.<sup>78</sup>*

The costs of training were a frequently cited barrier for SMEs, who could be *‘reluctant to invest as the successful trainee is likely to leave’.*<sup>79</sup> Training costs per person were also likely to be higher, since a training provider had to engage with many different SMEs rather than just one or two large employers. Courses might also need to be more flexible, to meet



different demands. London's 2014 SEP included proposals to incentivise training providers to work with SMEs and also to enable groups of SMEs to work together, for example to share an apprentice.

External funding could also be used to subsidise training for SMEs directly:

*Targeted use of ESF funding to look at ways in which SMEs and smaller rural companies can be supported in addressing skills gaps and thus minimise the investment risk for smaller businesses in the take up of skills training.<sup>80</sup>*

Complexity of the skills supply system and the bureaucracy involved created additional barriers:

*Recognition that employer ownership of skills investment decisions is harder for SMEs but with the right support, SME commitment can be gained successfully. ... Greater simplicity of access to and awareness of SMEs within the skills system, and the necessary 'handholding' to help them overcome perceived barriers to accessing skills support.<sup>81</sup>*

Despite this, many SMEs were willing to invest, but found it hard to know where to start:

*...firms were not unresponsive to these skill challenges ... a significant proportion ... reported investing, or would invest, in training to upskill the existing workforce. However, many companies, particularly SMEs, find it difficult to plan for their skills requirements and training needs.<sup>82</sup>*

*Businesses, and SMEs in particular, face challenges to playing a full role in the skills market. ... Information on the training offer is fragmented and confusing, and this makes it difficult for them to engage with the skills system. Learning providers compete for their attention and their business, and many businesses lack an understanding of the available range of offers, and how they would meet their specific needs. Small businesses find it particularly difficult, and because of their size the impact of skills shortages can be all the more significant on their performance.<sup>83</sup>*

In fact, London LEP suggested that there was a danger in providing free training:

*Many ... SMEs are unclear about the costs of training. ... [if] training appears to be free ... they are less inclined to engage with or challenge providers. If SMEs had more information on the actual cost of the training to the taxpayer, this would help them become more discerning customers ... [and] ensure that the ... training content is ... tailored to their business needs.<sup>84</sup>*

Cumbria LEP sought to address the complexity of the skills supply system by considering:

*...options for simplifying the interface between the skills system and employers (especially SMEs) who say they find it time consuming and complicated to identify and understand the support available for workforce development.<sup>85</sup>*

Options included various support services offered by the LEP. London LEP highlights the opportunities, and challenges, that come with new sources of financial support:

*Current policy is rightly predicated on offering greater ownership of skills to employers, including apprenticeship reform and the Employer Ownership Funding. ... Larger companies are better resourced to handle these new responsibilities than SMEs are. SMEs are ready to contribute to the skills agenda as they suffer more than well-known names in attracting skills and talent, but they cannot deal with the level of bureaucracy which*

*inevitably goes with the territory of EU eligibility and SFA funding agreements, and this puts them off.*<sup>86</sup>

Turning to skills demand, management and leadership gaps meant that SMEs were also less likely to be able to take on the more extensive role outlined above for employers in creating demand for skills. Further constraints were their management/HR capacity, having fewer job roles to play with, and smaller training budgets to invest in their staff:

*Employees in the Heart of the SW ... are more likely to be underemployed. ... Employers were less likely to employ a broad range of 'good practices' ... associated with high levels of skills utilisation such as leadership practices, employee engagement etc., perhaps reflecting the higher concentration of micro-businesses and SMEs.*<sup>87</sup>

*A large number of our small businesses have never engaged in any management or leadership training and do not recognise the need for it... With an economy dominated by SMEs, it is vital that we address this.*<sup>88</sup>

However, much of the discussion of SMEs' management and leadership gaps in the documents focused on the consequences for growth and expansion, rather than skills development:

*...lack of opportunities for upsizing SMEs and advanced management/skills development in SMEs – risk of stagnation.*<sup>89</sup>

*Evidence shows that investment in leadership and management and improvements in management structures, resource planning and staff training and development can have a positive impact on 'bottom line' business performance. ... There is scope to improve these skills ... especially in SMEs with growth potential.*<sup>90</sup>

This quote continued with a useful insight:

*Many of the businesses that need to develop these skills may, however, not recognise that, so incentives and peer support businesses are likely to be important.*<sup>91</sup>

Again, Manchester LEP showed evidence of a more sophisticated analysis, as demonstrated by this quote (discussing the financial services sector):

*It is a mistake to think the needs of the sector lie solely on the skills supply side: how businesses deploy, organise and utilise skills is also a factor behind underperformance. Closely related to the skills gap is a deficit in management and leadership skills: these have been identified in surveys and qualitative evidence as being key to growing more productive businesses in this sector.*<sup>92</sup>

In terms of reconciling skills supply and demand, several LEPs flagged that SMEs found it difficult to identify and plan for current or future skills needs. One or two LEPs went further, and flagged the dangers of a 'low-skill, low-wage' economy, where employers compete on the basis of price alone:

*Stimulate the Demand for Skills by Encouraging Business Ambition ... there are some parts of [our] economy that do not exhibit the same level of ambition and where the demand for skills is low. Employees' median earnings ... are below those of residents, which indicates that some of its best talent is lost to other labour markets, where jobs may be better and earnings higher.*<sup>93</sup>

Manchester LEP sought to address ‘low-price, low-skill, low-pay’ strategies by working with employers *‘through newly devolved business support services ... to invest in skills and improve skill utilisation and help firms compete on the basis of higher skills and greater innovation’*. It also highlighted the particular challenges within the digital sector, where ‘permanent technological transformation’ made it difficult to deliver effective training, or to convince SMEs that courses will meet future needs when these are constantly changing.<sup>94</sup>

A number of solutions were suggested. The first focused on cost savings through collaboration, either within a local area or along supply chains:

*Provision of skills development opportunities that encourage companies to collaborate, working and learning together to achieve greater regional impact (including supply chain approaches to higher level skill).*<sup>95</sup>

For example, in the Black Country, the LEP had worked with a major employer, Jaguar Land Rover, to develop a proposal for *‘a world class training and education facility that will provide the programmes of learning and skills acquisition that the engineering, manufacturing and the automotive industries require’*.<sup>96</sup> A second solution was to find ways to reach out to SMEs and to encourage them to engage with learning providers:

*Skilled and experienced staff will reach out to those SMEs who have not been engaged in any structured or funded training to assist the businesses to identify their current and future skills needs. This will result in the development of a detailed workforce development plan.*<sup>97</sup>

Other solutions included encouraging SMEs to join Sector Skills Forums, to help providers *‘tailor courses to meet their need’*,<sup>98</sup> to *‘offer a programme of skills diagnostics targeted at SMEs’*,<sup>99</sup> and to use European funding to set up Growth Hubs and skills brokerage services. Other LEPs were exploring how best to use the apprenticeship levy to support SMEs and some had been able to secure government funding available under the Employer Ownership Pilot scheme to enable employers to *‘design and guide vocational training to meet the needs of their workforce’*.<sup>100</sup> For example, Leeds City Region were planning to use this resource to establish a Skills Fund and Skills Hub to *‘support businesses to identify and articulate their skills needs and translate them into packages of skills support; and develop bespoke solutions either for the individual firms or groups of similar companies’*.<sup>101</sup> Crucially, this was backed up by a dedicated fund to enable individuals and SMEs to access this training.

### Summary

Documentary analysis provides in-depth insight into LEP approaches to skills. Skills are positioned as critical to growth and skills gaps as problematic to this. Deeper examination of this proposition is, however, somewhat limited. LEPs’ emphasis is primarily on skill supply, particularly entry to the labour market, as opposed to support for in-work progression. While recognising the need to reconcile supply and demand, demand-side initiatives are offered by only a small number of LEPs. Despite recognition of the dangers of a low-skill equilibrium, there are only limited attempts to influence skills utilisation. Similarly, the focus for SMEs is on training and other supply activities. While some SEPs recognise the lack of demand for skills amongst many SMEs, the main offer to this sector is management and leadership training, which at least aims to enhance management skills. It does not directly, however, connect to design of job roles and mechanisms of staff retention. The evidence for development of effective skills ecosystems in SEPs and other documents is not compelling.



## 5 Exploring skills challenges with LEP representatives

To further explore the themes that emerged from the documentary analysis, a series of interviews was carried out with LEP representatives. Contact was made with the LEP Network,<sup>102</sup> which sent out both a network-wide email of introduction and targeted emails to particular LEPs. Emails invited those with responsibility for education, skills and employment/employability to make contact with the project team. Follow-up telephone calls were also made. In all, 15 LEPs participated in either face-to-face or telephone interviews. Two separate interviews were held in LEP1 and there was more than one LEP participant in a small number of other interviews (Table 1).

**Table 1: LEP participants**

	Skills equilibrium	Size	Geography
LEP1	Low-skills equilibrium (2 interviews)	Large	Urban
LEP2	High-skills equilibrium	Large	Urban
LEP3	High-skills equilibrium	Medium	Mixed
LEP4	Low-skills equilibrium	Medium	Urban
LEP5	Low-skills equilibrium	Medium	Mixed
LEP6	High-skills equilibrium	Medium	Mixed
LEP7	Low-skills equilibrium	Small	Mixed
LEP8	Skills surplus	Medium	Mixed
LEP9	Low-skills equilibrium	Medium	Urban
LEP10	Low-skills equilibrium	Small	Rural
LEP11	Low-skills equilibrium	Medium	Mixed
LEP12	Low-skills equilibrium	Small	Mixed
LEP13	High-skills equilibrium	Medium	Mixed
LEP14	Low-skills equilibrium	Small	Mixed
LEP15	Low-skills equilibrium	Medium	Mixed

An interview schedule was developed based both on a priori knowledge and key themes from documentary analysis. Questions broadly addressed LEP approaches to skills policy, skill supply and demand, matching supply and demand, and productivity and inclusive growth. All interviews were recorded and fully transcribed. NVivo software was again used to analyse the transcripts thematically, with codes used from the initial documentary analysis and developed where needed to reflect any emerging themes. Data collection was conducted in line with Manchester Metropolitan University's research ethics and governance processes,<sup>103</sup> and all responses are confidential and anonymous, unless otherwise agreed with participants.

### Skills policy

Exploration of skills policy was an important part of the interviews. A high degree of complexity in the skills policy landscape was immediately apparent, resulting in part from an array of national and local stakeholders. At national level, key stakeholders included

the Department for Education (DfE), Department for Work and Pensions (DWP) and the Education and Skills Funding Agency (ESFA). At local level, LEPs operated within diverse infrastructures that included, for some, combined authorities and mayoral offices and, in one case, a chamber of commerce. There were diverse views as to the focus of national skills policy, some participants suggesting that it retained a fairly traditional approach (LEP8) while others suggested a substantive shift from economic growth to public service reform (LEP1), following shifting government priorities. LEPs met as a network on a quarterly basis, providing an opportunity to both co-ordinate activity and liaise with national-level policy-makers. Some LEPs also met on a regional basis (LEP15). Many participants felt that more strategic engagement with national policy-makers, especially the DfE, was needed (LEP6).

All LEPs had Strategic Economic Plans (SEP) and many had recently updated or were in the process of updating these. Several participants also referred to the development of a local industrial strategy that was to be integrated into or could indeed replace the current SEP. Most SEPs provided for Employment and Skills Boards<sup>104</sup> (ESB, or similar) and Growth Hubs, which were the primary mechanisms for skills governance. LEPs worked to deliver numerous national programmes designed to increase skills supply, such as Skills for Growth, Skills Support for the Workforce (SSW), Skills Support for the Unemployed (SSU), and Cities of Learning.<sup>105</sup> These were supplemented by an array of local programmes that focused primarily on skills supply. While, as discussed later, a small number of LEPs sought to implement skills demand initiatives, it was noted that there is no supporting national policy or infrastructure for this:

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

Examples of relevant policy from Finland is later presented in the 'Recommendations' and in the accompanying summary report.

There was widespread recognition of the desire to devolve skills policy to local level, amidst some concerns about local capacity to address it given both economic constraints and a wide array of other priorities:

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

Additionally, all LEPs have established priority sectors in their SEPs and there were concerns that, particularly in the smaller LEPs, there was limited capacity to support employers outside of these sectors (LEP15).

LEPs had created local mechanisms to manage skills, particularly following the devolution of the adult education budget (AEB),<sup>106</sup> but noted both the pre-devolution cuts to this budget that they had been required to absorb (LEP1) and the need for a management infrastructure

that was beyond the capacity of many LEPs (LEP9). Despite this, many welcomed skills devolution as an opportunity to create initiatives that better met local needs:

*This is why you get into localism and devolution and things like that is because people sit in offices looking out the window in Whitehall or Sheffield and say, 'This will be a good idea; let's go and do this.' And then they come and talk to the local area and go, 'We're rolling this out,' and you go, 'Why? What are you doing? You know, why didn't you come and talk to us first and we'd come up with a better way of doing things?'* (LEP12)

National policy was also seen to be short term in nature (LEP6) and to lack a joined-up approach, for example, the importance of an effectively functioning social care system to enabling employment was frequently raised (LEP9). Here, social care provision could enable those unable to work as a result of (unpaid) caring responsibilities to enter the labour market.

Local operation of skills policy had led to a variety of approaches across LEPs, which is arguably appropriate, accompanied by complex governance structures. For example, most LEPs had Growth Hubs but there were substantial differences in how these operated and were integrated into the LEPs. This led, in some instances, to the kind of policy silos noted by the OECD, where responsibility for skills supply activity was usually fairly well defined, but was much less so (and often absent) for skills demand activity. In many instances, there was limited knowledge of and interaction with those with differing remits.

A key area of concern was future skills funding streams. There is heavy reliance on EU funding for both skills supply (ESF, ESIF) and skills demand (ERDF) programmes. There was a widely expressed lack of clarity on where replacement funding will flow from post-Brexit:

*One of the questions that we've asked of government, of central government, is can we be involved in the development of the fund which will come after Brexit? But there's not much conversation on that going on at the moment.* (LEP13)

There was widespread agreement that EU funding had been core to developing the skills agenda (LEP10). Despite this, it was acknowledged to be bureaucratic, and its requirement for matched funding could be problematic. There was an aspiration that any UK replacement – for example, the Shared Prosperity Fund<sup>107</sup> was mentioned by several participants as was the Industrial Strategy Fund – be less bureaucratic and allow for greater creativity. LEPs were eager to be involved in the design of any new fund, particularly to build in learning of their experiences from previous EU programmes (LEP15). Some participants expressed concern over the degree to which LEPs would retain their influence post-Brexit in the absence of assured funding, particularly where they were not part of devolution deals. A policy shift to national level was raised as a possibility by some.

### **Matching supply and demand: skills ecosystems**

Skills ecosystems serve as mechanisms to bring together local stakeholders to address skills underutilisation and associated recruitment and retention difficulties. In the documentary analysis, there was limited emphasis on the notion of a skills ecosystem and this was reinforced through the interviews, with only one explicit reference to a wider skills system:

*And the final one [strategy objective] is about the system and making the system work for [location], the skills system work as a kind of integrated whole, coherent whole.* (LEP2)

Many participants noted that policy reform, and the disbanding of previous infrastructures, had created a void in the skills system in terms of the integration of its component parts:

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

Only four participating LEPs operated within a high-skills equilibrium, and only one mentioned resultant labour shortages (LEP6). Ten of the 15 LEPs that participated operated within a low-skills equilibrium, that is, low-skilled and low demand for skills. Here skills shortages were referenced, particularly in relation to basic skills. The extent to which these skills shortages were genuine, as opposed to a function of employer practice, is explored below. There was some, but limited, recognition of the dangers of a low-skills equilibrium in terms of both economic and societal outcomes (LEP11), but a general, albeit usually tacit, acceptance that this position is/will remain the status quo:

*I think the way the ... employment world is structured in terms of quite a concentration of lower-value, relatively low-skilled work, that's unlikely to change any time soon. I see no particular drivers about why that should change. (LEP1)*

Perhaps unsurprisingly, there was then limited discussion of how to bridge skills supply and demand. At a system level, some LEPs operated ESB/Growth Hub partnerships, with complementary skills and business growth products being marketed via a gateway model (LEP15). Most activity was, however, at an individual level. For example, work and health programmes were cited as a mechanism for getting those furthest from the labour market job-ready and able to meet employer demand:

*So it's somebody who actually can set up that link that moves them from, effectively, a skills-type intervention to a work/business support-type intervention because, otherwise, they don't make that transition across. (LEP1 (2))*

Local policy's emphasis on skills supply did not support a skills ecosystem and presented a missed opportunity to influence skills demand, particularly given widespread acceptance that employment is likely to remain low-skilled and low-quality. Attempts to influence skills demand are explored later and rely primarily on some form of employment standard (work standards, employment charters, LEPs 1, 2), encouraging employers to develop in-work progression routes and engage in workforce planning (LEP11) and the offer of business support programmes.

### **Matching supply and demand: data analysis/local intelligence**

Matching activity related primarily to ensuring skill supply reflected existing demand, even within a low-skills equilibrium, rather than seeking to influence demand. At a local level, a wide range of approaches was adopted and reflected both resource and expertise historically available to LEPs, together with current resource. Some LEPs had teams of data analysts and undertook sophisticated analyses of national and regional datasets. LEP5, for example, had a historic legacy of around ten researchers working on analysis of local data. LEP15 produced a regularly updated labour market information toolkit. These analyses were often focused on issues of particular interest to an LEP, usually the particular sectors that they had identified within their SEPs or wider emerging skills needs. Digital skills is a particular example that was frequently cited:

*We're going to also be doing some work looking at which sectors in particular are underpinning [location]'s economy, where there are likely to be either major skills gaps or challenges relating to automation or technological disruption. For example, where digital skills are going to be most needed or where you're going to need to upskill or re-skill parts of the workforce. (LEP2)*

There were, however, frequently cited concerns over the robustness of national dataset analysis (LEPs 1, 2) and a concern over the loss of the UKCES dataset (LEP6). Statistics were seen to be both a crude tool to identify real challenges and easy to manipulate:

*This exercise about skills supply and demand is so crude, as to be rather meaningless actually, and you are better off engaging with employers to understand precisely what their skills needs are and also how they can articulate; they don't often articulate them very well. They just say, oh the education system is useless, or we're not getting graduates who are ready to work, or something like that. They don't say specifically what they need, and getting them to be specific is a constant battle. But I think that is more worthwhile than the statistical exercises that I do that are mapping supply and demand, which produces very misleading numbers. (LEP1)*

*We're very good at getting the data to tell us what we want it to say, not what I would call true analysis to get you to the point of, so what's the real problem here. (LEP11)*

Data was also seen to have limitations where skills demand is changing rapidly (LEP6) and thus not adequately reflected in the dataset.

Many LEPs thus relied wholly (because of resource constraints) or partially (because of a desire for a fuller picture) on local intelligence. For some this involved conducting relatively sophisticated local surveys, often with large samples (LEPs 5, 9). Others relied on more anecdotal approaches, often through networks, forums and other local infrastructure. Difficulties were noted, however, in employers articulating their skills demand, both current and future (LEPs 6, 11). Many employers, for example, failed to recognise the changing demographics and need to replace older workers set to retire in the short to medium term (LEP8). The difficulty of engaging with SMEs to elicit their skills demands was noted and attempts made were often most successful through intermediaries such as the Federation of Small Business (FSB) and local chambers of commerce.

A possible solution to local skills analysis challenges is a current pilot of Skills Advisory Panels (SAPs).<sup>108</sup> Led by the DfE, these aim to support LEPs in providing robust skills evidence to inform local decision-making by identifying local skills demand and potential skills shortages and to facilitate provider/business relationships. SAPs are envisaged as sitting within ESBs. Three participating LEPs were taking part in the pilot and were fairly optimistic about it:

*We've looked at the framework and methodology: it's all about what data we need to collate and what data is not available at a real local level. We get the data at [LEP] level but how we drill down to some of those areas and demographics actually within [location]. So that work is actually going on at the moment. (LEP10)*

Some concern was expressed, however, that the pilot is seeking to establish a national methodology that may not suit a more local approach and there is a need for LEPs to establish methodologies that address their particular circumstances (LEP1).

### **Skills supply**

In line with the documentary analysis, there was heavy emphasis on the LEP's role in skills supply. In one sense, this is perhaps unsurprising, as participants were drawn from those with education, skills and employment/employability remits. It does, however, underscore the point that the skills remit is understood largely in terms of skills supply. Most emphasised the importance of skills provision and establishing curriculum priorities in schools, further education (FE) colleges and some higher education (HE) providers. Career advice and apprenticeships were also core activities.



LEPs used their local analyses of skills need to liaise with providers, establish curricula and focus skills supply on current need and any current/future gaps:

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

Nearly all questions about employer involvement in skills were answered in relation to how they influence skills provision (see below for further detail). Skills supply at all levels was the primary focus:

*So we've prioritised skills ... the challenge basically divides into three or four really. We've got a fundamental challenge around basic skills and the hardest to reach. We've got a fundamental challenge around technical skills and then people that are just sitting comfortably but aren't really performing. We've got an ongoing challenge around aspiration and education and about making sure that young people as they come through achieve, and then those that do achieve stay or at least contribute something or come back at some point. We're working on that one. (LEP8)*

The following sections explore these skill supply issues in more detail, covering skill provision, careers and apprenticeships. It should be noted that there was excellent work being carried out across the LEPs, but, given the primary purpose here is to explore skills demand, these skill supply activities are covered relatively briefly.

### **Skills providers**

The main stakeholders in skills provision were FE colleges, with increasing contributions from schools and universities. Interestingly, only one participant (LEP15) made reference to independent providers.

Devolution of the adult education budget (AEB) was a central theme here. Allocating the AEB into the FE infrastructure had become a key LEP activity, with emphasis on ensuring an appropriate curriculum. This devolution was welcomed by many, but some suggested that creating the required management infrastructure was challenging for smaller LEPs (LEP9). The need for curricula to be responsive (LEP9) and integrate providers' and employers' needs/ views (LEP8) was noted, although some argued that there was insufficient reference to business need and that the offer is provider-led, based on student need (LEP6). One participant suggested that linking courses to outcomes such as employment would change provider behaviour, that is, drive the provision of skills that are important to the economy (LEP9).

A key LEP emphasis was on equipping people to move into work and upskilling the low-skilled (LEP1), but there was activity across the skills spectrum:

*We tried to create ... the skills pathway. So basically from – we've got interventions from everyone furthest away from the labour market all the way through to, you know, intermediate and higher-level skills. (LEP12)*

The complexity of the skills offer was frequently noted, and other LEPs had also introduced pathways or escalators to support skills progression (LEP15). These linked programmes working with the most disadvantaged furthest from the labour market to those who were preparing to be work-ready to in-work development through programmes such as SSW. Skills utilisation was not, however, part of these pathways. Much of this activity was EU-funded and there were concerns that much state-funded support was targeted at English, maths and level 2 skills. With the exception of apprenticeships, there was very little funding for level 4 (LEP1).

## Careers

Careers advice was another substantial focus of LEP activity, both generally and increasingly in schools. The latter centred on helping school pupils understand what career options were available, particularly in emerging occupations, for example HS2 (LEP14). Programmes also sought to support labour market entry for those from, for example, families with three or four generations of worklessness and also to prepare young people for job interviews (LEP7).

Increasingly, LEPs sought to involve businesses in career advice programmes (LEPs 1, 10, 14):

*We're working for Careers Enterprise Company ... a current project where they've got an adopt-a-school project going on with some funding and how they look at careers in that sector. (LEP10)*

And also to create a careers brokerage system where those seeking work are signposted to vacancies:

*We've got good co-ordination with the likes of National Careers Service (NCS) in signposting and linking into that provider base and our European providers and wider provider base. And then we are literally awaiting the award of a contract around the Skills Hub, which will offer that independent brokerage to business as well, so we either divert people through as individuals to go to NCS and their offer. (LEP12)*

## Apprenticeships

Delivery of apprenticeship programmes was another substantial area of LEP activity. This was across traditional apprenticeships at levels 2 and 3, but increasingly also at higher levels:

*Driving up particularly the growth of higher-level and degree-level apprenticeships. Particularly now with changes to the funding, SMEs and micro employers to upskill their current workforce essentially. (LEP10)*

Apprenticeships were also seen as a mechanism for improving job quality (LEP4) and for driving social inclusion. LEP10, for example, was running a BAME apprenticeship pilot scheme to improve access to the workforce for diverse groups.

All participants noted the well-reported post-levy falls in apprenticeship numbers, especially at the lower levels. Various reasons for this were suggested, including: employers want to use the levy for general training, not just apprenticeships (LEP9); changes to the standards make them harder and discourage employers, especially SMEs (LEP1); the 20% off-the-job training requirement and 10% employer contribution deters many, particularly in sectors such as health and social care (LEP15); the standards are not perceived to be fit for purpose (LEP5); some standards (previously frameworks) were not yet ready and providers are not offering the right courses (LEP7). There was also a potential lack of understanding as to what constitutes an apprenticeship, with these increasingly being taken up by (older) people already in jobs (LEP9). These barriers led to many employers writing the levy off as a tax and the fund was going unspent, although some suggested that employers were starting to spend the levy by badging in-house training as apprenticeships and questioned whether this was appropriate.

## Employers as an influencer of skills

A key area of questioning was as to the role of employers in the skills system. Participant responses overwhelmingly centred on their capacity and desire to influence skills provision, alongside views that provision did not address their needs. As noted above, however, businesses were not always particularly capable in articulating their needs (LEP1).

The primary mechanism for influence was via LEP Employment and Skills Boards (or similar), although these did not exist in all LEPs. Here a range of stakeholders, including providers and employers, met to discuss skills provision, influence the curriculum (LEP13) and commission skills delivery (LEP14) to ensure that local provision met local demand, especially where there are skills shortages (for example digital skills, LEP10). It should be noted that in most instances, employer demand was taken at face value, with limited attempts to influence this (see below for some exceptions). ESBs also offered voluntary roles to employers, such as enterprise advisers working with schools and colleges on, for example, careers advice and work placements. LEP15 had established an enterprise adviser network and had seen significant employer engagement in this. There were acknowledged difficulties of involving SMEs in ESBs, largely because of their resource pressures, and many used intermediaries, such as the FSB (LEP12). Engagement also varied by sector, with substantial involvement from digital, high-end engineering and construction firms but less from sectors such as social care (LEP15). One LEP also offered a skills network (LEP7) that was less of a time commitment but still offered a route to influence.

Involvement of employers also created the opportunity to challenge them as to their responsibility for addressing skills gaps and, potentially, for funding skills development, particularly in underfunded sectors:

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

LEP12 had established a menu of activities such as work experience, work tasters, work exposure activities, mock interviews and project work that businesses could be involved in supporting in schools.

Employers' financial support for skills development was a recurrent theme and elicited mixed views. On balance, employers were seen to be willing to make a contribution to skills provision:

*I think the latest workforce survey, I think 60, 70% said that they were willing to invest in their own workforce at that level. There's still a hard core 30% that are, 'we're not going to invest in anything, we think that this should be provided for us, we pay business rates, why haven't you sorted this out yet?' (LEP8)*

LEP9 indicated that employers had paid 20–30% training costs in many instances, evidencing some willingness, but only if the provision directly benefited their business, not if it addressed basic or remedial skills. Some employers were reluctant to invest in skills development as they remained fearful of losing staff they had trained (LEP8).

A disconnect in approach between employers and providers was also noted:

*And they had a mini-revolution a little while ago ... which basically said 'we really don't understand this language that everybody is using, we've got all these colleges, universities, talking to us in acronyms, we have no idea what they're talking about. Let's just meet together as employers and sort out what we want to do.' (LEP13)*



There is a clear need to establish a platform of shared understanding, and also the basis on which employers might engage. For example, LEP13 suggested that most providers wanted employers to engage via a CSR agenda, whereas most employers were focused on their bottom line. LEP1, however, noted that many employers had been willing to engage, especially in schools, for philanthropic reasons. Despite this, education–employer links were argued to improve productivity (LEP10).

### **SMEs and skills supply**

As indicated above, with a few notable exceptions, it was difficult to engage SMEs in formal mechanisms to influence skills supply and there was a general reliance on either intermediaries or the supply chain (LEP13). Despite this, the importance of SMEs to most local economies meant that they were a key focus of LEP activity (LEP14):

*There is a great awareness that SMEs provide most jobs, and kind of helping them is profoundly important to all economic agendas, be it on the sort of productivity side, or the better-quality employment side. (LEP1)*

LEPs adopted different approaches to SME support, some maintaining the long-term national policy approach of focusing on start-ups and those with high growth potential. Others were willing to support a wider pool, including lifestyle SMEs, arguing that this provided greater opportunity to engage in the local economy:

*I think we've moved on from that point [focus on high growth] and we're looking more now about social value and economic inclusion. (LEP1 (2))*

The emphasis remained, however, on skills supply. LEP14 had commissioned a report specifically on SME skills gaps and LEP10 had business brokers going out to do training needs analyses. Many skills programmes were aimed specifically at SMEs and seen to be successful, for example Skills Support for the Workforce. There was also a fairly traditional approach of offering management training:

*There's the leadership and management issues that are around SMEs. We've tried to put in stuff that's aligned more to things like productivity, skills employment, activity linked to productivity, planning new markets, leadership and management, that kind of thing. (LEP14)*

While there was substantial emphasis on qualifications, there was also recognition of the need for training courses, often providing 'bite-sized' sessions (LEP5), as more accessible for SMEs in terms of resource required. Some LEPs also worked to aggregate demand to support the running of courses (LEP9), while others worked with anchor businesses and the supply chain to improve provision and responsiveness and the offer to SMEs (LEP3).

Apprenticeships were also high on the LEP/SME agenda as a route to upskilling and re-skilling (LEP3). The barriers noted above to engaging with apprenticeships were particularly pertinent to SMEs and some LEPs sought to address these:

*One of the key streams of work ... [is] apprenticeships, so making best use of the apprentice levy. ... We're developing pilot programmes at the moment with a view to making sure that larger employers are able to engage and support the smaller SMEs who might be less able to for various reasons take on apprenticeships. (LEP2)*

*[XX] also operate an apprenticeship training agency. So that is available for small micro businesses that want to have an apprentice but don't necessarily have that HR support to employ them. So the apprentice agency then will actually employ that apprentice on their behalf and undertake all that HR element for them, things like paying the wages, and so on. (LEP10)*

There were many other SME-targeted initiatives, including mentoring and scale-up programmes (LEP7) and careers (LEP12). Recognising the resource challenges, one LEP (4) had put together a menu of activity that SMEs could select from according to their resource capacity.

### **Skills demand**

Skill supply activities were premised on the assumption that improving supply drives economic growth, irrespective of their uptake and application. In the documentary analysis, there was relatively little evidence on skills demand and so it is an area of substantial discussion here. There was seen to be little action at national level, with the unions being 'quiet' and the recent Taylor Review<sup>109</sup> on good work not having 'quite summoned the courage to say anything bold'.

Implicit in most interviews was an emphasis in LEP activity on skills supply. Some went further to expressly suggest that skills demand was not understood to be part of the LEP remit:

*The thought that there are major issues around the labour market, they see, either as something they cannot do anything about, or something that's simply not their business.* (LEP1)

Reflecting this, only a small number of LEPs were proactive on skills demand and the data in this section is thus drawn from a sub-sample of participants. Efforts to influence skill demand were largely positioned in terms of job quality and employment standards initiatives intended to enhance this (for example employment charters). In most cases, these initiatives were indirectly connected to the LEPs via mayoral combined authorities. In-work progression was raised by some and there were additionally business support programmes that, in part, addressed job quality. These were delivered via Growth Hubs which, depending on governance structures, were more or less directly connected to LEP activity. All are discussed in what follows.

### **Employment standards**

Initiatives to improve employment standards were in both instances linked to mayoral combined authorities (LEPs 1, 2) and the mayor was seen to have the influence to lobby for higher-skilled, better jobs. This was the case even in LEP3, where no standard was being progressed, but responsibility for skill demand was explicitly located with the mayor by the participant and not understood as an LEP remit. While potentially effective, this risked engendering perceptions that attempts to address skill demand were overtly political in nature (LEP1), which could create resistance. Both employment standard initiatives were in the development stage and presented an initial attempt to integrate the ESB (or equivalent) and skills strategy with the Growth Hub (or equivalent). There was acknowledged uncertainty as to the degree of responsiveness of employers to these initiatives, with a concern that while they may wish to influence skills supply, they may be less open to their skills demand being under scrutiny:

*And there's a slight tension between the existing trend for agency work and short-term contracts and the willingness of employers to invest in skills with such short-term contracts. But then the demand for the skills is still there, so when employers are looking for even short-term agency work they're looking for particular sets of skills. So how do you create an economy that produces those skills while maintaining some level of flexibility in the workforce? And I think that's something that the [ESB-equivalent] will be able to look at much more closely and it can be a little bit more employer-informed and employer-led than it is at the moment.* (LEP2)

Other participants made reference to LEP aspirations to improve job quality. LEP4, for example, was seeking to deliver more, higher-quality jobs, but with few apparent demand-side initiatives to support this. LEP7 had recently held an employer conference where job quality was discussed and suggested that it was an agenda item at ESB meetings:

*So, one of the conversations [at the conference] is, what constitutes good work? Starting to sort of really get their mind work going in terms of what good jobs might look like and think like ... And, of course, we're never going to get everybody to the table at once but I do think LEPs plays an important role in that influential piece. And having those discussions not only have the Employment and Skills Board but at the main Board itself.*  
(LEP7)

Again there was no apparent underpinning infrastructure to support influencing skills demand. LEP3 also sought to use its procurement and supply chain powers as a lever to improve job quality, requiring for example particular pay rates to be offered in respect of certain contracts. Interestingly, one participant suggested that policy formation should include a broad constituent of interests, for example, workers should be more demanding of the labour market and raise their aspirations of the jobs they will accept (LEP11). There was no apparent mechanism for their involvement, however.

### **In-work progression**

Low-skills equilibrium is likely to be associated with a significant proportion of firms operating with low value-added strategies and paying low wages. In-work progression is important, so that workers are supported not only to enter the labour market but to develop their skills and take on roles with additional responsibility and commensurate levels of pay. In-work progression was, however, felt to be lacking and was explicitly linked to a low-skills equilibrium:

*Volume and low-wage jobs, and the problems we have around skills is often because, you know, they don't pay enough, employers don't pay enough and they've got no interest in upskilling their workforce, and so they're a massive churn, and so that's why you have big job demand that's not getting better in some sectors. They casualise their workforce.*  
(LEP1)

Clearly where firms adopt a low-skills, low-value approach, demand-side mechanisms to influence the offer of in-work progression are needed. LEP emphasis on this did not, however, emerge strongly, and some participants acknowledged the need for greater activity in this area:

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

*Where it's not quite hitting home yet is – that's within the mainstream workforce. It's not quite making the transformational differences to individuals that we would like. There's still too many people in middling jobs that don't move on. So while they've taken up the intermediate offer, they haven't moved onto the higher level in all areas. And there's still too many people that are at the bottom that don't move out of that bottom group.*  
(LEP8)

Lack of focus here perhaps related to the dominance of low-equilibrium LEPs in the sample (reflecting national patterns). Some participants noted the difficulty of in-work progression in so-called 'hourglass' economies, with low-skilled roles at one end and high-skilled at the other, but little in between (LEPs 1, 2, 6). Some argued that there was a lot of overskilling/underemployment and that many LEPs ignored this (LEP 1 (2)). Also, as in the above quote, it was seen to be difficult in SMEs with limited career routes:

*For us, it's also about the progression route, so bringing people in at the lower end to allow people to progress within the workforce. [But the local economy is] very much SME, micro-businesses and self-employed as well. So that's another challenge for us. (LEP10)*

The emphasis remained firmly on getting people, particularly those furthest from the labour market (LEP3), into employment, and job quality/in-work progression was of less importance (albeit some access to work programmes do track job quality):

*But for the wider mass of people in work and doing something around high-quality work, jobs that are just above the legal pay floor, I don't think that agenda is as developed as it needs to be. There is, so the slight sense that work, is it, it's a work first kind of feeling in local areas and if we carry on getting unemployment down, yes, job done. (LEP1)*

This extended to the priorities of a particular LEP, or even of the individual with responsibility in an LEP for skills and employment. In LEP4, for example, moving people with mental health challenges into employment was a particular priority. LEP3, however, had an in-work progression programme focused on housing association tenants.

The importance of in-work progression was predicated on assumptions that upskilling would lead to pay increases (LEP13) and that it would improve productivity (LEP10). This is further discussed below.

### **Growth Hubs**

The OECD has argued that policies to improve skills utilisation should be focused at the local level and include, amongst other things, leadership and management training, improved job design and human resource management support. At the local level, this activity falls mostly to Growth Hubs,<sup>110</sup> present in most but not all LEPs, that offer business support, funding or guidance. Some LEPs have a Skills Hub, as well as or instead of a Growth Hub. Depending on local governance arrangements, Growth Hubs are more or less closely integrated with LEPs and, in some instances, there can be substantial distance between local actors and their mutual awareness of activities. This reinforces the earlier point about a lack of skills ecosystem infrastructure. The complexity of the skills landscape for those outside of LEP structures was also noted, with the potential for Growth Hubs to simplify this and be the 'glue' that brings together a skills offer and makes it more coherent (LEP13). Much Growth Hub activity is EU-funded and targeted in the main at SMEs, unlike skills supply activity, where SMEs are typically under-represented (as discussed above). This does, however, mean that Growth Hub programmes are likely to have limited influence on larger employers that adopt low-value approaches. Here other mechanisms will be needed.

Growth Hubs typically operate a model of business advisers going into firms to conduct training needs analyses and suggest relevant provision (LEPs 10, 13). While this continues a skills supply emphasis, it nevertheless creates an opportunity to influence skills demand. One participant, for example, noted how executive development programme attendance often led to requests for workforce development, and this could open avenues for further discussion:

*We worked with a company who were struggling to recruit and retain staff and, although they were busy, they felt that they could secure more work. ... When we sat down with them and said, 'Well, what's your problem around recruitment?' They said, 'Well, we can't recruit and we really struggle to retain staff.' So we said, 'Well, you're offering 20 days' holiday, you're not flexible in terms of your start and finish times, you're on zero-hours contracts and you only pay minimum wage. Yet you've got a full order book, you've had a full order book for a long time, and your margins would enable you to pay your staff more.' So we helped them strengthen the terms and conditions of staff, they moved away from zero-hours contracts, they started to bring apprenticeships into the programme to develop their own people, and they saw a significant uptake in terms of their productivity. (LEP1 (2))*

Other LEPs also noted their capacity to challenge on the appropriateness of terms and conditions when skills shortages were raised (LEP15). There were, however, for most LEPs few formal mechanisms to explicitly encourage employers to move up the value chain. LEP2, however, was able to proactively use its Growth Hub to influence demand, by promoting its employment standard as a means to in-work progression, with an aspiration that this was seen as:

*...central to businesses' growth plans and consideration of how to improve productivity and the bottom line. (LEP2)*

LEPs 1 and 2 were most advanced in offering this kind of support, and the ability to support specialist adviser roles was closely associated with their size and resources. Indeed, LEP1 (2) suggested that the scale of their offer was 'unique'. It was apparent that other LEPs had much more broadly drawn adviser roles, incorporating finance, marketing, HR, and so on, and that this raised questions about their capacity to deliver effective advice. For example:

*Some business advisers are great. Ex-Business Link people that have been around forever and know every linkage and have got cross-sector experience. ... That said, for every one of those, there was also a number of business advisers that weren't great, going back 15 years ago, and they're still not great now. And we have a number of issues about bad advice. That's something that we're working on across the business support landscape. And skills and employment, you know, as we all know, being a positive business adviser is not the same as understanding the dynamics of an individual labour market or what your business needs. (LEP8)*

This raises the question of how to provide effective support, particularly given the challenge as to the capacity of public sector employees to do this (LEPs 1, 13). LEP10 used a network of HR consultants and employment lawyers, similar to the People Skills model,<sup>111</sup> which may be more appropriate. Constraints on team size were acknowledged, leading some LEPs to offer advice online, in one case via a portal that links employers to suggested providers (LEP3) and in another with an offer of an online HR toolkit (LEP7). While laudable, there are well-recognised difficulties for firms engaging with online support.<sup>112</sup>

Returning to the idea of a skills ecosystem, it was apparent that an overarching infrastructure was lacking and the integration of LEP skills and employment activity and Growth Hub activity was not assured. It depended on local arrangements and many acknowledged lack of knowledge/understanding about other parts of LEP activity. In smaller LEPs, actors 'sit across the desk, literally' (LEP 7), but across larger LEPs, and with new mayoral combined authority structures, there was widespread acknowledgement of lack of awareness of activity across the piece.



### **SMEs and skills demand**

As noted above, much Growth Hub activity is targeted at SMEs, so only material that expands on the above section is presented here. There was substantial emphasis on leadership and management training for SMEs, recognising that poor management underpins the long tail of low-productivity firms<sup>113</sup> and that enhancing these skills is thus central to improving skills utilisation. Most participants spoke positively about their offer, although few could evidence its effects. One participant, however, challenged the whole notion of leadership and management training as a skill demand influencer and argued:

*One of the conversations that we had regularly was around raising demand from employers through leadership and management. And using people, again public sector people, to go into businesses and tell them what they ought to be doing. On reflection, I just think that's not going to get us anywhere. I've seen it tried so many different times and I just think we've got to think about how we get employers talking to each other and encouraging others through those examples. (LEP13)*

The participant went on to provide examples of such networks that were having influence in improving skills utilisation.

Most participants suggested that SMEs were also in need of wider management, in particular HR, support. LEP14, for example, was in the process of commissioning an ESF-funded programme to help SMEs deliver effective HR practice. Resource here was seen as critical to skills:

*I would say the biggest take-up of the courses tended to be with the larger SMEs. My conclusion really was that it often depended whether the business had an HR function, just to do the organisation ... just the logistics of organising a particular person to turn up on a particular day at a particular location, it needs some internal resource in that business. (LEP5)*

Most attempted to differentiate their offer and tailor it to specific sectors, with particular tactics to engage hard-to-reach SMEs. For example:

*It tends to be, and it's no surprise, lower-value sectors [retail, tourism] where they've become very comfortable in the status quo. ... We run a range of workshop-based activity, actually under the disguise of some of our digital activity, but it's a route in for one or two of those smaller businesses. (LEP8)*

The support landscape was, however, recognised as complex, so time and resources were not the only barriers to SME engagement. There was also a need to avoid multiple contacts from different points in the LEP (LEP9) and, as with skills supply, it was often seen as effective to work through intermediaries (the FSB, and so on).

### **Productivity and inclusive growth**

Returning to OECD work, it is argued that locally focused policies to improve skills utilisation will promote productivity and inclusive growth. This is now discussed.

#### **Productivity**

Productivity was a key element of most LEP SEPs. Some positioned productivity as part of wider local growth remit and most also linked it explicitly to skills:

*Clearly if you've got a skilled workforce, productivity of your business is going to go up. (LEP11)*

This was sometimes presented simply as a need to get more people into employment (LEP9), an understandable priority for many. Similarly, increasing skills supply was often

seen as a mechanism to improve productivity, irrespective of uptake/application of those skills (LEP7). Low skills were explicitly and repeatedly linked to underperformance and underemployment (LEP8), despite some recognition of attendant complexities:

*So it's going to help productivity in some way ... by upskilling the workforce if you like, which is the element that we're doing; we are probably tackling just in some small way one element of a much larger jigsaw puzzle. (LEP5)*

Some also acknowledged the need for further evidence on the skills/productivity link (LEP11). Though rare, those LEPs more fully engaged with skill demand activities also recognised that a connecting infrastructure was needed to derive benefit from increased skill levels:

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

*As we know it's a vicious cycle. If you haven't got the people to fuel the skillsets that higher-level productivity-focused businesses need, you're not going to make the change. But at the same time, if you haven't got those businesses in the first place, there's no incentive for anybody to retrain. (LEP8)*

Growth Hubs and LEPs could, and in LEP6 at least did, create this connecting infrastructure to co-ordinate skills and business activities. Some LEPs also worked with other stakeholder groups, for example an employers' engagement group (LEP15) to address productivity issues. Others raised wider national issues beyond skills and argued the need for government levers to address productivity:

*I mean, if you take the composition of the business base, one of the biggest productivity challenges is actually in the health and care sector. There's some big challenges to improve productivity, particularly in domiciliary care where you can spend half an hour walking to someone's home to give them a tablet and make sure they're okay, and the call's 15 minutes, but you've wasted half an hour. I think there's a great deal of challenges around productivity in the health and care sector. (LEP9)*

Overall, there was clearly a need for greater recognition of skills utilisation as opposed to simply supply in driving productivity. This included recognition of its inter-relationship with a wider set of issues.

### **Inclusive growth**

The notion of inclusive growth was central to many LEP SEPs, with an aspiration that economic growth benefits all sections of society; and within a skills agenda, there is a particular focus on higher skills, pay and security for workers as businesses grow.<sup>114</sup> There was, however, a propensity in the interviews for inclusive growth to be conflated with social inclusion. This is the process of improving the terms on which (particularly disadvantaged) individuals and groups take part in society,<sup>115</sup> but does not necessarily mandate shared increases in economic prosperity. The lack of accepted definition was recognised and even argued to be deliberate:

*Right, it's kept usefully vague, inclusive growth. I think people would talk often about, you know, expanding the opportunities of growth. So there is, you know, a widespread feeling that [location] has grown, there are very important bits of the economy, it's a dynamic place, but lots of areas are missing out and that sense of sort of social inequality in a city is becoming*

*more visible all the time. So what it actually means, I don't think that's widely shared, and I think almost deliberately so, people seem not to define it, it's kept that way. (LEP1)*

Within a wider approach to inclusive growth, many LEPs had a focus on transport and housing as much as (and possibly more than) better-quality employment:

*We're an area that has low productivity, high rates of deprivation, high house prices and low-paid seasonal employment. So the principle we're looking at is providing civil and collaborative leadership. And the priorities under that, we'll be looking at a strategic framework for inclusive growth. A commitment to the council service plans. So that's the whole wider housing, transport agenda. So it's very much a joint working across the whole of [location] Council and the LEP as well, so it's very much a [location]-wide thing happening. (LEP10)*

Despite this, some LEPs sought to promote inclusive growth in employment terms. LEP6, for example, a high-skills equilibrium LEP, sought to embed employment and training in growth opportunities and focused on delivery through social enterprise.

In the main, however, participant responses focused on social inclusion and getting those furthest away from the labour market into employment (LEP15). Typical priority groups were those not in employment, education or training (NEETs), disabled, BAME, those with mental health challenges and the over-50s:

*I suppose in terms of what we're doing is ... finding ways to provide opportunity for disadvantaged groups or those with barriers, barriers to entering the employment market or progressing in the employment market. We're doing that through a range of interventions that we're considering. (LEP2)*

This is clearly a laudable aim, but it privileges the simple offer of employment over its quality and many seemed to feel that this was sufficient benefit from economic growth (LEP4). Some did, however, aspire to economic growth improving the quality of the job or workers benefitting in better terms and conditions and the need to prevent in-work poverty (LEP 1 (2)). One participant suggested:

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

Despite differing understandings, economic growth was seen to be part of/a driver of both productivity and inclusive growth and that creating higher-value work would support the offer of in-work progression (LEP8). There was, however, some scepticism as to the focus on inclusive growth:

*So I tend to be a bit more operational and practical and pragmatic and don't bother with lots of terms, some of the things like inclusive growth and some of these other terms. We just basically do things that employers want basically and we try to be employer-led perhaps more than some of the LEPs in this particular upskilling agenda. (LEP5)*

A more shared understanding of inclusive growth, especially in job quality terms, is needed if it is to have a central role in initiatives to enhance productivity.

### **Summary**

In-depth interviews evidence the challenges of delivering skills policy at a local level. Many LEPs appear to have made limited progress towards the ecosystems approach recommended



by the OECD and continue to emphasise skills supply over skills demand. Skills utilisation is thus compromised and flaws are revealed in the assumption that simply delivering skills into the local economy will result in employers offering employment that requires these skills, moving up the value chain and enhancing productivity. Substantial attention is required to both national and local policy levers that can stimulate skills demand.

## 6 Conclusions and recommendations

This report offers a timely examination of skills utilisation in the UK. Following the OECD's<sup>116</sup> recommendation that local approaches to ensuring skills matches will be most effective, it has explored the role of Local Enterprise Partnerships (LEPs) in creating a skills ecosystem within a given geographical region. Perhaps unsurprisingly, as detailed in what follows, the report evidences a strong emphasis in LEPs on skills supply, with limited focus on skills demand, which frequently results in low-skills equilibrium. There are, however, small pockets of innovative practice around stimulating demand for skills that serve as exemplars for wider action.

Skills were prominent in all LEP Strategic Economic Plans and, indeed, many LEPs had developed associated skills strategy documents. These recognised, and usually embraced, the devolution of (much) skills policy to local level. There were, however, concerns around this. First, the skills policy landscape is both complex and fragmented, creating the need for overarching national skills policy to co-ordinate local policies and be supported by more strategic engagement with national policy-makers, particularly the Department for Education. Second, LEP capability and resource constraints meant, particularly in smaller LEPs, that an adequate management infrastructure was lacking. Third, while local policy allowed LEPs to address local need, resource constraints created limited capacity to offer support outside of priority sectors and thus excluded a substantial proportion of the local economy. Fourth, LEP governance structures were extremely complex and hard to navigate, meaning policy silos could develop even within a local area. Growth Hubs were, for example, frequently separate from wider LEP activity. Finally, concerns over post-Brexit funding led some to question whether there could be a return to national-level funding and, accordingly, an emphasis on national skills policy. Whatever funding streams are developed, there was wide consensus that these should be less bureaucratic and allow for greater creativity than current EU funding. In sum, LEPs have embraced a local approach to skills policy, but within a complex and uncertain context that creates many constraints.

*The report evidences a strong emphasis in LEPs on skills supply, with limited focus on skills demand, which frequently results in low-skills equilibrium.*

The OECD's drive to local skills approaches is premised on the assumption that LEPs can create local skills ecosystems<sup>117</sup> that drive effective skills utilisation. There was, however, little evidence of systematic attempts to influence both skills supply *and* demand. To a certain extent, fragmentation of policy/infrastructure worked against this, with responsibility for supply and demand often lying in different areas. Another significant factor was LEP capacity to analyse local skill supply and demand. A small number of LEPs had a historic legacy of sophisticated data analysis teams, but most did not. There was thus a tendency to rely on local intelligence, of various degrees of robustness, and indeed a questioning of the usefulness of available data sources. There was also a widespread emphasis on analysing skills gaps around current skills shortages, rather than how skills demand

could be influenced. There was often a tacit acceptance of a low-skill/low-productivity equilibrium and bridging supply and demand was seen as a largely individual-level activity in supporting people into employment. A small number of the LEPs were involved in the Skills Advisory Panel's feasibility study<sup>18</sup> and these were, on the whole, positively viewed, with the caveat that methodologies developed should reflect local need as opposed to a standardised national model of analysis.

As already noted, the majority of LEP focus was, implicitly or explicitly, on skills supply. This involved a huge amount of often excellent work around skills provision, careers advice and apprenticeships. The emphasis was largely on moving an individual from education or unemployment into work, with little activity beyond that around, for example, in-work progression. Education providers, schools, colleges and universities had primary responsibility for skills supply. This often stood in isolation from local needs, and linking supply to economic outcomes might helpfully influence provider behaviour. Employment and Skills Boards (ESBs, or similar) sought to involve businesses in skills supply, but their role was often limited to influencing skills provision or supporting careers advice. They were also central to apprenticeship provision and findings here reflect the well-reported difficulties following the introduction of the apprenticeship levy. Business influence on supply could be problematic, as they were not always able to effectively articulate their needs; further, these needs were usually taken at face value rather than subjected to any attempt to influence them. There were also well-rehearsed difficulties for SMEs in supply-side activity. First, in skill development itself, given the costs of training, complexity of the skills supply system and associated bureaucracy, particularly around apprenticeships, and general resource pressures. Second, in drawing them in to influence skills provision. Here there was a general reliance in ESBs on intermediaries such as the Federation of Small Business. In sum, LEPs tended to enact a supply-driven model, with the employer role being mainly about influencing skills supply.

*Employment and Skills Boards (ESBs, or similar) sought to involve businesses in skills supply, but their role was often limited to influencing skills provision or supporting careers advice. They were also central to apprenticeship provision and findings here reflect the well-reported difficulties following the introduction of the apprenticeship levy.*

Apart from a small number of LEPs, there was limited evidence of attempts to develop a wider ecosystem to address skills demand alongside its supply. There was a somewhat uncritical assumption that improving skills supply would address local economic challenges and, as noted above, a tacit acceptance by many of a low-skills equilibrium. Here LEPs reflected the national context, with an absence of an overarching skills demand policy, and indeed some even questioned whether LEPs *should* have a role in influencing skills demand, amid concerns that firms would resist scrutiny of their employment practice. Some offered piecemeal solutions, such as ad hoc conferences and collaboration with anchor institutions, but there was concerted, co-ordinated effort in only a very small number of LEPs. In these, however, there were some more proactive approaches, albeit some were at early stages and so it is too early to evaluate their effectiveness.

Two mayoral combined authorities were developing employment standards in an effort to encourage firms to offer stable, fairly paid work that provided training and in-work progression. These will be interesting pilots to track. Other more established mechanisms

were driven by Growth Hubs and business support programmes, albeit these were not always well integrated with wider LEP activity. Growth Hubs offered training but, particularly with SMEs, this could lead to discussions about and the ability to influence demand. Only one Growth Hub had the resources to employ specialist workforce advisers, as per models that have elsewhere been identified as effective.<sup>119</sup> This meant the quality of advice given could be mixed and was often reactive rather than proactively offered. There was thus a general absence of formal mechanisms to influence skills demand, together with an acknowledged difficulty in influencing low-value, large firms who did not access the business support offer. There was also challenge to the typical route of seeking to influence SME employment practice by management education and training, with a view that this had been unsuccessful for many years and that creating large/small firm employer networks to share practice was a more effective route. In sum, there was limited activity to address skill demand and indeed some resistance to the suggestion that LEPs had a role to play here. The activity that did exist, however, offered interesting exemplars for others to build on.

*The evidence presented here supports wider research that suggests the UK offers a high proportion of jobs that require few/no skills and that policy that emphasises skills supply, with its presumptive link to improved productivity, is unlikely to effectively address this.*

LEP Strategic Economic Plans typically position skills as a mechanism for economic development, enhancing productivity and, in many plans, creating inclusive growth. Few plans go further to recognise the economic benefits (beyond the individual) of training local people. For example, they do not argue that increasing wages would have a knock-on effect on local demand for goods and services. These contain again a somewhat uncritical assumption that improving skill supply will positively affect productivity but, as noted above, limited activity to ensure their effective utilisation. In-work progression was often limited in low-skills equilibrium and the resultant overskilling tended to be overlooked by LEPs, despite its well-documented negative consequences for both job satisfaction and productivity.<sup>120</sup> Inclusive growth and improved productivity are unlikely to result where skills ecosystems fail to effectively reconcile supply and demand and encourage firms to move up the value chain. This perhaps explains a focus in many LEPs on social inclusion as opposed to inclusive growth, despite frequent use of the latter term.

The evidence presented here supports wider research that suggests the UK offers a high proportion of jobs that require few/no skills and that policy that emphasises skills supply, with its presumptive link to improved productivity,<sup>121</sup> is unlikely to effectively address this.<sup>122</sup> Where workers undertake training and gain qualifications, they are often overqualified for the roles they hold,<sup>123</sup> and more effective skills demand policies are required to create employment that will use these skills. Policy lacunae on skills demand at both national and local levels could be a substantial contributory factor to the UK's productivity 'problem', as better skills-matching and utilisation could lead to productivity gains. This is an area where there is limited LEP activity, which begs the question as to how to create more effective skills ecosystems. Employment charters are a promising development and more effective business support programmes also have a substantial role to play, especially in the UK, where effective management and management practice, critical to skills utilisation,<sup>124</sup> are well documented as being weak.<sup>125</sup>

The OECD's<sup>126</sup> recommendations are endorsed in this report, namely that firms should be supported to take a 'high road', that is, better use of skills, approach. Local policy should support effective work organisation and job design via robust human resource management<sup>127</sup> and this is particularly important for SMEs, who typically operate in local skills markets and experience poor management/lack of HR expertise.<sup>128</sup> In this, the UK can learn from international examples, such as Finland,<sup>129</sup> where national policy harnesses local policy to address people management and work design, use of local employer networks and anchor institutions, to create both inclusive growth and improved productivity. Finally, local Industrial Strategies provide the opportunity to build local 'brands'<sup>130</sup> with a place-based approach and vision to local economic development.

### Recommendations

This report concludes that co-ordinated and coherent approaches to local skills supply and demand are needed. These should address the current policy fragmentation, lack of resource and infrastructure that result in absence of skills ecosystems and low-skills equilibrium. Local Industrial Strategies provide a mechanism for this, offering the opportunity to build local 'brands' with a place-based approach and vision to local economic development. Vital underpinnings are included in eight recommendations:

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

## 7 Appendix

**Table 2: LEP documents analysed**

Black Country SEP-2014	GtrBham-SEP-2014	Oxfordshire SEP-2016
Black Country SEP-draft-2017	GtrBham-SEP-2016	OxLEP-SEP-2014
BTVLEP-SEP-2014	Herts-SEP-2014	OxLEP-Skills Strategy-2016
Buckinghamshire SEP-Refresh-2016	Hertfordshire-skills-strategy-to-2020	Consultation-Draft-2017
Cheshire & Warrington-SEP-2014	Herts-SEP-refresh-2017	S&SLEP-SEP-Refresh-
Cheshire & Warrington-SkillsPlan	HoSW-SEP-2014	S&S-Skills-Strategy-2016
Cheshire&W-SEP-Revised-2017	Humber-SEP-2014	SELEP-skills-strategy-2014
Coast to Capital_SEP-consultation_2018	Humber-Empl-&-Skills-Strategy-2014	SEMLEP SEP 2014
Coast_to_Capital_SEP_2014	Humber-Review-SEP-2016	SEMLEP Skills Plan-2017
Cornwall-Employment and Skills Strategy-2016	Lancs-SEP-2014	SEMLEP-Revised-SEP-2017
Cornwall-SEP-2012-2020	Leeds-SEP-2014	SheffieldCR-SEP-2014
Cornwall-SEP-Revised-2017	Leeds-SEP-2016	Solent_growth_strategy_2015
Coventry-SEP-2014	Leics-SEP-2014	Solent_SEP-2014
Coventry-skills_strategy-2014	Lincs-SEP-2014	South_East_-SEP-Consultation-Evidence_Base_2017
Coventry-updated-SEP-2016	Lincs-SEP-Refresh-2016	South_East-SEP-2014
Cumbria-SEP-2014	Lincs-Skills_Strategy_2015	Stoke-and-Staffs-Economic-Plan-2014
Cumbria-Skills-Investment-Plan-2016	London-draft-economic-development-strategy-2017	Swindon&Wilts-SEP-2016
D2N2_SEP_2014	London-draft-skills-strategy-2017	Swindon-EconAssessment-people-and-skills-2016
D2N2-Skills-mismatch-2017	London-SEP-2014	TeesValley-SEP-2014
Dorset-SEP-2014	Lpool-Growth-Prospectus-2012	TeesValley-SEP-2016
Dorset-SE-Vision-2016	Lpool-Growth-Strategy-2017	TeesValley-SEP-Exec-Summ-2016
Dorset-Skills-Plan-2014-16	M3-SEP-2014	ThamesVB SEP-2014
GCGP_SkillsStrategy-2016	M3-world-class-skills-2014	ThamesVB-Skills Priority Statement 2016
GCGP-employer-skills-2016	Marches LEP SEP 2014	WoE LEP SEP 2014
GCGP-SEP-2014	Marches LEP Skills Plan 2014	WoE-Skills-Prospectus2015
GLincs-SEP-2014	Marches-SEP-Evidence-Refresh-2016	Worc-SEP-2014
Gloucester-SEP-2014	New Anglia Economic Strategy-2017	Worcs-LEP-SEP-Review-2017
Gloucestershire-Skills-Statement-2017	NewAnglia-Economic Strategy-Evidence report-2017	Yorks-Annual-Report-2017
GM_Work_and_Skills_Strategy-2016-9	New-Anglia-SEP-2014	Yorks-SEP-Pt1-2014
GMcrGrowth_and_Reform_Plan-2014	North-east-SEP-2017	Yorks-SEP-Pt2-2014
GMcr-Strategy-Implementation-Plan	Northamptonshire-SEP-2014	Yorks-SEP-Update-2016
GMcr-Strategy-Leaflet	North-east-SEP-2014	Yorks-Skills-Update-2017
GMcr-Strategy-Summary-2017		

**Table 3: Keyword search results**

	No. sources	No. references	Re-coded?
Skills	98	5,998	
In-work progression	9	16	yes
Local skills supply	3	3	yes
Productivity	70	323	
Skills broker/age	6	13	yes
Skills + demand	40	106	yes
Skills ecosystem	2	63	yes
Skills equilibrium	3	6	yes
Skills gap/deficit/shortage	55	214	yes
Skills match/mismatch	11	17	yes
Skills performance	10	13	yes
Skills shortages	64	289	yes
Skills + SMEs	56	155	yes
Skills supply	37	86	yes
Skills surplus <sup>131</sup>	0	0	
Skills usage/utilisation/planning	13	27	yes

**Table 4: Word frequency query**

Primary search term	Secondary search term	No. sources	No. references
Priority sector		45	106
	Transport	4	4
	Energy	3	3
	Hi-tech	0	0
	Manufacturing/advanced manufacturing	5	6
	High-growth	1	1
	Engineering	3	3
	Retail	2	2
	Hospitality	1	1
	Digital	1	1
Education		95	2,294
Education or training		96	3,686
	Apprenticeship	82	438
	Schools	71	282
	Education	?	
	Further education	95	224
	Higher education	84	462
Work/employment		96	10,892
	Careers/advice	76	323
	Low wage	6	8
	Job design	1	1
	Low pay	12	21
	Labour standards/procurement	26	39
	Job quality (high/low)	13	14

Continued on next page



Growth		96	10,783
Economic growth		93	1,511
	Precarious/zero-hours work	0	0
	Inclusive growth	14	40
	High growth	61	338
	Productivity	76	600
Business support/SMEs		31	71
	Profitability		
	Business support/development/improvement	66	277
	HR/people management	5	6
	Leadership and management (skills/capacity)	35	59
	Workforce development	6	10
	Skills board	0	0
	Enterprise	28	60
	Workplace innovation	0	0
	Staff development	2	2
Funding		94	3,375
	Education–industry links	0	0
	European: ESF/ERDF/ESIF	74	417
	Growth Hub	31	74
	Growth Deal	47	165
	LEP resources	1	2
Additional searches	local procurement	8	10
	circular economy	9	53
	foundational economy	0	0
	steady state	1	1
	sustainable livelihoods	0	0
	poverty	41	143
	poverty + economy	18	37
	deprivation	61	228
	deprivation + economy	36	63
	social exclusion	28	47
	social exclusion + economy	11	18
	low carbon	72	738
	economy*	96	10,057
	low carbon + economy	57	286
	transition + economy	32	53
	informal work/economy	0	0
	agglomeration	26	58
	gender OR women	38	146

**Table 5: Themes identified in skills supply**

	No. sources	No. references
Provider-led	10	12
Government support	1	1
Business role – funder	4	5
Business role – influencer	18	20
Wider business role	11	19
Via supply chains	1	1
External drivers	2	2

**Table 6: Themes identified in skills demand**

	No. sources	No. references
General	5	6
Importance of careful analysis	7	7
Future skills demand	4	4
High-skills vacancies, no unskilled jobs	1	2
Link with productivity	4	6
Skills utilisation	6	8
Danger of low-wage, low-skill equilibrium	5	5

**Table 7: Themes identified in linking supply and demand**

	No. sources	No. references
General	12	14
Skills ecosystems	6	8
Training local workforce	2	2
Employer role	4	5
Matching provision with skills	13	14
Labour market information	5	7
High-skill equilibrium	1	1

**Table 8: Themes identified in SMEs and skills**

	No. sources	No. references
General	7	9
Cost of training	9	12
Leadership & management gaps	10	13
Low demand for skills	9	12
Skills shortages	7	9
Skills supply	9	11
Supply chains	3	5
Support services	14	18
Addressing barriers	9	17

## 8 Endnotes

- <sup>1</sup> OECD. (2017) *Better use of skills in the workplace: why it matters for productivity and local jobs*. Paris: OECD, ILO.
- <sup>2</sup> [www.ilo.org/skills/areas/skills-policies-and-systems/WCMS\\_547533/lang--en/index.htm](http://www.ilo.org/skills/areas/skills-policies-and-systems/WCMS_547533/lang--en/index.htm)
- <sup>3</sup> Insert link/title
- <sup>4</sup> See for instance: OECD. (2016a) *Job creation and local economic development 2016*. Paris: OECD Publishing; SKILLS AUSTRALIA. (2012) *Better use of skills, better outcomes: a research report on skills utilisation in Australia*. Canberra: Commonwealth of Australia.
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- <sup>6</sup> MCGOWAN, M. and ANDREWS, D. (2015) *Labour market mismatch and labour productivity: evidence from PIAAC data*. Paris: OECD.
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- <sup>11</sup> BLOOM, N. and VAN REENEN, J. (2007) Measuring and explaining management practices across firms and countries. *Quarterly Journal of Economics*. Vol 122, No 4, 1 November. pp1351-1408. <https://doi.org/10.1162/qjec.2007.122.4.1351>
- <sup>12</sup> MAHY, B. and VERMEYLEN, G. (2013) *Educational mismatch and firm productivity: do skills, technology, and uncertainty matter?* Universite Libre de Bruxelles, mimeo.
- <sup>13</sup> MCGOWAN, M. and ANDREWS, D. (2015) *Labour market mismatch and labour productivity: evidence from PIAAC data*. Paris: OECD.
- <sup>14</sup> OECD. (2017) *Better use of skills in the workplace: why it matters for productivity and local jobs*. Paris: OECD, ILO.
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- <sup>39</sup> Only Swindon & Wiltshire LEP's 2014 SEP is missing, both from their own website and from the Network of LEPs page; as a result this report was not included in the study. There is also an extra report, as Northampton LEP produced an SEP in 2014, but subsequently amalgamated with SE Midlands LEP (plus York, North Yorkshire & the East Ridings is in two parts).

- 40 Greater Manchester LEP's reports being good examples.
- 41 OXLEP Skills Strategy 2016.
- 42 Black Country SEP 2014.
- 43 Cheshire & Warrington Skills Plan, p5.
- 44 Lancashire SEP 2014.
- 45 Coventry Skills Strategy.
- 46 Ibid.
- 47 [www.instituteofhealthequity.org/resources-reports/fair-society-healthy-lives-the-marmot-review](http://www.instituteofhealthequity.org/resources-reports/fair-society-healthy-lives-the-marmot-review)
- 48 Cornwall Employment & Skills Strategy 2016, p22.
- 49 Greater Manchester Growth & Reform Plan, 2014.
- 50 Northamptonshire SEP 2014.
- 51 GM Growth & Reform Plan 2014.
- 52 London SEP 2014.
- 53 S&S Skills Strategy 2016.
- 54 'Business skill needs in the GCGP area,' Greater Cambridge and Greater Peterborough LEP, 2014.
- 55 SELEP Skills Strategy 2014.
- 56 A report on skills mismatches in Derby, Derbyshire, Nottingham and Nottinghamshire LEP.
- 57 GM Work & Skills Strategy 2016.
- 58 Leeds SEP 2016.
- 59 37 sources include the phrase 'skills supply'.
- 60 Gloucester SEP 2014.
- 61 Black Country SEP 2014.
- 62 Coast to Capital, SEP Consultation 2018.
- 63 Cumbria Skills Investment Plan 2016.
- 64 GM Work & Skills Strategy 2016.
- 65 Leicester SEP 2014.
- 66 Coast to Capital SEP 2014.
- 67 Leics SEP 2014.
- 68 Skills for Londoners.
- 69 The Marches SEP 2014.
- 70 NewAnglia-Economic Strategy-Evidence report-2017.
- 71 Stoke & Staffs Economic Plan 2014.
- 72 GM\_Work\_and\_Skills\_Strategy-2016-9.
- 73 Leicester SEP 2014.
- 74 It is not possible to identify which datasets are in use from the LEP documents; further discussion of this is presented in the interview data in the next section.
- 75 Coast to Capital Consultation Document 20.
- 76 Greater Manchester Growth & Reform Plan, 2014.
- 77 Coventry Skills Strategy 2014.
- 78 Thames VB Skills Priority Statement 2016.
- 79 Cheshire & Warrington SEP 2014.
- 80 Lincs Skills Strategy 2015.

- <sup>81</sup> Leeds SEP 2014.
- <sup>82</sup> M3 Worldclass Skills 2014.
- <sup>83</sup> M3 World Class Skills 2014.
- <sup>84</sup> London SEP 2014.
- <sup>85</sup> Cumbria Skills Investment Plan, 2016.
- <sup>86</sup> London SEP 2014.
- <sup>87</sup> HoSW SEP 2014.
- <sup>88</sup> Leics LEP.
- <sup>89</sup> Dorset SEP 2014.
- <sup>90</sup> Solent SEP 2014.
- <sup>91</sup> Solent SEP 2014.
- <sup>92</sup> GM Work & Skills Strategy 2016.
- <sup>93</sup> Coast to Capital SEP 2014.
- <sup>94</sup> GM Work & Skills Strategy 2016.
- <sup>95</sup> D2N2 SEP 2014.
- <sup>96</sup> Black Country SEP 2014.
- <sup>97</sup> GM Growth & Reform Plan 2014.
- <sup>98</sup> SEMLEP Skills Plan 2017.
- <sup>99</sup> Coventry SEP 2014.
- <sup>100</sup> Stoke-on-Trent and Staffordshire Skills Strategy 2016.
- <sup>101</sup> Leeds LEP SEP 2014.
- <sup>102</sup> [www.lepnetwork.net/](http://www.lepnetwork.net/)
- <sup>103</sup> [www2.mmu.ac.uk/research/staff/ethics-and-governance/ethics/](http://www2.mmu.ac.uk/research/staff/ethics-and-governance/ethics/)
- <sup>104</sup> ESBs focus on skills and employment in the local economy. An example can be found here: [www.humberlep.org/board-page/employment-and-skills-board/](http://www.humberlep.org/board-page/employment-and-skills-board/)
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- <sup>106</sup> [www.gov.uk/government/publications/adult-education-budget-funding-rules-2018-to-2019](http://www.gov.uk/government/publications/adult-education-budget-funding-rules-2018-to-2019)
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- <sup>108</sup> <https://warwick.ac.uk/fac/soc/ier/research/skillsadvisorypanels/>
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- <sup>110</sup> [www.lepnetwork.net/growth-hubs/](http://www.lepnetwork.net/growth-hubs/)
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