

**Liverpool City Region Employment and Skills Strategy
and Commissioning Framework**

Summary

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Our Employment and Skills Strategy, and Commissioning Framework

Context

1. The Liverpool City Region (LCR) with a population of just under 1.5 million, comprising Halton, Knowsley, Sefton, St Helens, Wirral and the City of Liverpool has made significant progress over the past decade in reclaiming its position as a competitive City Region.
2. The growing strength of the LCR partnership and its effectiveness in leading the economic resurgence is recognised. A number of local authority districts have experienced significant growth, frequently close to, or in excess of, comparative North West and UK profiles. Recent analysis shows significant improvements in the stock of businesses and business starts; good progress has been made on a number of worklessness indicators; the gap has narrowed in terms of neighbourhood deprivation; and there has been a significant and comprehensive improvement in qualification and skill levels. Our Multi Area Agreement (MAA) with central Government set out key outcomes in many of these areas just described.
3. However, our MAA also acknowledged that much still needs to be done to achieve the vision ***‘to establish our status as a thriving international city region by 2030’***, and whilst we have made progress in relation to particular measures and indicators, the scale of some of our challenges in relation to employment and skills mirrors the scale of our ambitions. In particular, if the current LCR performance mirrored the current England average we would have:
 - 26,400 more 19-59/ 64 year olds achieving a **level 2** qualification or equivalent;
 - 43,800 more 19-59/ 64 year olds achieving a **level 4** qualification;
 - 46,000 fewer 19-59/ 64 year olds who have **no qualifications**. Currently 145,000 people in the City Region have no qualifications;
 - 120,000 more people in work if we are to meet the Government’s aspiration of an 80% **employment rate**. The current employment rate in the LCR stands at 66.7%.
4. Among the early tasks highlighted for action in the MAA were:
 - The development of an Employment and Skills Strategy.
 - The creation of a Commissioning Framework to drive forward the implementation of the Strategy.
5. These will be the primary documents for setting out the vision for how employment and skills services are to be integrated locally within the City Region and the strategic priorities for investment and delivery. It is recognised that the Strategy will

need to be backed up by action and that there are a range of partners and national policy agendas that must be influenced if we are to realise our ambition for the City Region.

6. This Strategy will support everyone in the LCR to make the most of their potential, and to help deliver the step change to our economy as articulated in the MAA, raising the level of GVA and increasing our productivity via key sectors that reflect the competitive advantage and uniqueness of the City Region, in particular the 4 transformational actions highlighted in the MAA:
- Culture and Visitor Economy.
 - Liverpool SuperPort.
 - Low Carbon Economy.
 - The Knowledge Economy

Our Belief

7. We believe firmly that our Strategy and Commissioning Framework will help drive a step change in the LCR's employment and skills system for the long-term benefit of individuals, communities and employers. This belief is based upon the following firm foundations.

- We have carried out a comprehensive review of the LCR labour market and have ***identified the key needs that we have to address and the opportunities that we must exploit.***
- We have ***consulted widely*** on the ***issues we should be addressing and the priorities that we need to place on different interventions.***
- We have developed a Strategy which builds firmly upon the analysis, vision and aims generated by the MAA, but introduce ***3 Step Change Aspirations and 6 Strategic Objectives*** which will help us drive this forward.
- We have designed a ***Commissioning Framework*** which is the ***most detailed and comprehensive statement produced by any of England's city region partnerships to date.***

8. We feel strongly that our ***Commissioning Framework will generate substantial benefit*** by making available to LCR residents and employers more appropriate and higher quality employment and skills services, within the context of a greatly simplified employment and skills system – and we will do this in a highly cost effective way by working together as a City Region.

9. Building on a long tradition of partnership working in the LCR, we are confident that we will demonstrate quickly and widely that ***we are a partnership which is both able to design strategic approaches and implement these responsively and effectively.***

10. The Employment and Skills Board (ESB) brings together our business, executive and political leadership to oversee the implementation of our Strategy and Commissioning Framework. There is now a **powerful employer voice at the heart of service design and performance management** to drive up performance.

Our Challenges and Opportunities: LCR's Economy and Labour Market

11. We have analysed a comprehensive range of employment and skills indicators to assess whether the performance gap was closing between the LCR and England as a whole. Over the most recent five year period (which predates the current recession):

- **Gross Value Added** per capita has fallen back a little as the deteriorating employment rate has cancelled out gains in productivity.
- Our **jobs base** has declined slightly relative to the English benchmark, but within this there have been significant improvements in the stock of businesses and in **business starts** across the LCR.
- Good progress has been made on a number of **worklessness** indicators although there remain issues with the number of young people not in employment, education or training (NEET), and economic inactivity across the adult working age population.
- There has been a significant and comprehensive improvement in **qualification levels**. This is a major achievement in a short time frame in an area where the LCR has long lagged the rest of the country.
- The gap has narrowed in terms of **neighbourhood deprivation**, but there is still a very long way to go.

12. At the outset we need to recognise the diversity of economic conditions within the LCR (see table overleaf). To drive forward the economic performance of LCR as a whole we need to mount a concerted effort to build on internal strengths as well as close down gaps in areas of weakness from an employment and skills perspective.

- Variations in employment rates are wide, reaching as high as 73% in Sefton compared to a low of below 60% in Liverpool. Increasing LCR's overall employment rate significantly will be difficult without a major advance in the Liverpool local authority area.
- Similar considerations apply to the indicators around worklessness, but here Knowsley's problems are on a par with Liverpool's.
- The proportion of residents with no and high level qualifications vary significantly, with Wirral performing well and Knowsley lagging behind.
- Although Liverpool has the lowest employment rate it also has the highest jobs density relative to population. Liverpool's total volume of jobs, at around 225,000, accounts for 38% of the LCR's jobs base, and 22% in relation to the wider functional economic area.

Diversity of Economic, Employment and Skills Indicators within LCR

| | Halton | Knowsley | Liverpool | Sefton | St Helens | Wirral |
|--|--------|----------|-----------|--------|-----------|--------|
| Employment Rate (%), 2008/09 | 69.9 | 67.0 | 59.1 | 73.6 | 67.6 | 68.6 |
| Jobs per 10,000 adult population, 2007 | 5,733 | 4,709 | 6,348 | 4,235 | 4,367 | 3,908 |
| 16-18 NEET (%), 2008 | 13.2 | 14.4 | 10.4 | 7.6 | 8.1 | 9.1 |
| DWP Out of Work Benefits (%), 2009 | 20.2 | 24.4 | 24.3 | 16.7 | 19.2 | 19.0 |
| Residents with No Qualifications, 2008 | 18.2 | 24.2 | 19.6 | 18.9 | 15.9 | 10.8 |
| Residents with L4 Qualifications, 2008 | 19.4 | 15.8 | 23.8 | 29.7 | 22.6 | 32.1 |
| LSOAs in 10% most Deprived (%), 2007 | 27 | 47 | 56 | 18 | 23 | 24 |

13. Although significant gaps in performance remain between the LCR and England as a whole, substantial improvements have been recorded over recent years. Our Strategy will focus on driving down the remaining gaps in an aggressive way over the coming 5 years.

- **Employment** is a central issue for us. Our Strategy addresses how employment and skills investments and interventions can make a greater contribution to growing the employment base.
 - In the short to medium term we will exploit more effectively the substantial **flow of new job vacancies** within LCR as well as employment **opportunities in the surrounding economic areas**.
 - In the medium to long term we will increasingly focus on the 4 **Transformational Actions** in the MAA, and other high value sectors:
 - Culture and Visitor Economy.
 - Liverpool SuperPort.
 - Low Carbon Economy.
 - The Knowledge Economy.
- The substantial deficit in **neighbourhood deprivation** demands that we regularly review how effectively we are deploying our resources. We must also work more closely and effectively with other service providers, including housing and health, to create the maximum value from our combined resources.
- Although we have significantly increased the **qualification levels** of many local people, improvements in productivity, worklessness and neighbourhood regeneration have been more modest. The LCR's skills deficit is strongly influenced by the high levels of economic inactivity as the workless population have a much higher prevalence of low/no skills.

Our Challenges and Opportunities: Stakeholder Perspectives

14. Our **Stakeholders** identified a number of areas where they perceived the need to drive up the effectiveness of the employment and skills system:

- There is no coherent and strong employer voice to help drive the system.
- Employer engagement processes are viewed as chaotic and ineffective.
- For individual learners, the LCR lacks a coherent, high quality and independent information, advice and guidance system.
- There is no coherent, good quality and regularly updated system of labour market intelligence.
- The performance measurement and management processes that sit above the system are viewed as ineffective.
- The procurement of employment and skills service is conservative in the LCR. The default position is to commission the same provision as last year.
- Providers feel that they are not treated as 'delivery partners' and so cannot contribute effectively to improving the performance of the system.

Our Challenges and Opportunities: Changing Policies and Institutions

15. We are in a period of great flux in relation to employment and skills policies and institutions. This poses a fundamental challenge, but also creates opportunities.

16. In relation to the **skills agenda**:

- The system for funding and delivering education and training for young people and adults is being radically reformed, with responsibility for 16-19 year olds passing from the Learning and Skills Council to local authorities.
- The new Skills Funding Agency (SFA) will provide funding to colleges and other providers to meet the demands of employers and adult learners.
- SFA budget allocations will be driven by the choices made by individual learners and employers. Partners will need to 'stimulate' and 'activate' demand to draw resources into the LCR.
- The national *Skills for Growth* strategy stresses the strategic importance of higher level and technical skills.
- Regional Development Agencies will have an increasingly influential role in defining skills priorities for regions.

17. The **employment agenda** is also changing in terms of emphasis and funding, in particular:

- *Building Britain's Recovery: Achieving Full Employment* underlines the centrality of the principles underpinning our Strategy and Commissioning Framework.
 - The need for local partnerships and central agencies to work much more closely together.
 - The imperative to integrate the employment and skills systems much more effectively.
 - The potentially substantial benefit in terms of cost effectiveness to be won by local authorities and their partners adopting a Total Place approach to deploying resources and services.
- European funding which has supported a large volume of employability services in the LCR is set to decline substantially. The European Social Fund for 2011-2013 is only 13% of the sum available during 2007-2010.

Setting Out Our Strategy

18. We have set out three bold **step change aspirations** for our Strategy.

- *LCR becomes England's top performing City Region in terms of learning, employment and skills outcomes for 14-24 year olds.*
- *LCR will reduce by half the number of its deprived wards in England's worst performing 10%.*
- *LCR becomes a leading City Region outside of the South East in terms of the proportion of graduates and Level 4 qualifications in its workforce.*

As we make progress towards achieving these step changes, the City Region will become a more attractive proposition for investors; increasing the number of high value jobs and residents with higher level skills. Creating a competitive and higher value economy will generally raise the demand for employment across the board.

19. We have 6 **strategic objectives** which will help us to focus our efforts:

- Work more closely with employers to focus investment on their skills needs.
- Empower employers to drive improvements in skills and productivity within their workplaces, sectors, and business networks.
- Engage and empower local people to make informed choices about their learning, jobs and careers.
- Build clear and effective career pathways for 14-24 year olds.
- Transform the performance of services impacting on employment rates for disadvantaged groups and areas.
- Simplify the employment and skills system to help individuals and employers engage with and navigate services more effectively.

Implementing Our Strategy

20. Our Strategy must be turned into action quickly and begin to change radically the way employment and skills provision is planned, commissioned and delivered:

- We need to work hard to create **more comprehensive and integrated employment and skills services** for employers and individuals.
- We need to secure greater effectiveness and value for money by **integrating employability and skills services with the other relevant service areas**, such as business development, housing and health.
- We will prioritise and implement a number of **strategic projects** with sufficient scale to make a major impact.
- We must **ensure equality of opportunity for all learner groups**.
- We will drive a **more coordinated approach to commissioning, and to influencing service delivery**, as well as the development of the new European Social Fund (ESF) Co-financing plans and the Regional Skills Strategy. **Our Commissioning Framework is the engine for driving this radical change.**

Delivering Strategic Projects

21. In prioritising the timing of our strategic projects, we have sought to address both the 4 transformational actions and the wider ambition and priorities of the City Region:

- Initially, we will prioritise projects and interventions which will **support businesses to retain and grow jobs**, building an employment and skills system which responds more quickly and effectively to employment opportunities to the benefit of businesses, individuals and communities.
- As demand emerges, we will focus more resources into **higher level skills** provision and interventions that impact significantly on increased productivity levels and competitiveness, and support the development of **higher value opportunities in key sectors of the city region economy**, including those connected to the 4 transformational actions.
- Throughout, we will commit to improving the performance of services that **increase employment rates for disadvantaged groups and within our most deprived areas** to close employment gaps.

22. We propose to focus initially on the following specific strategic projects:

- Building **more effective employment and skills pathways for 14-24s**, including a strong **focus on** the provision of **apprenticeship opportunities** through our work with Local Authorities and the National Apprenticeship Service.
- Developing **local employment and skills plans** for major clusters of deprived areas where the volumes and concentrations of worklessness are greatest and connecting them to the job opportunities being created.

- Creating **employment and skills pathways for key employer investments and sectors.**
- Developing an innovative and enhanced programme of **leadership skills** for senior managers in SMEs with growth potential.
- Continue to **shape, influence and build around DWP mainstream contracts.**

23. The Appendix provides a summary of how we intend to meet our strategic objectives through service integration and the delivery of strategic projects and how this will be measured.

Our Commissioning Framework

24. Our Commissioning Framework is central to the effective implementation of the Strategy. The available LCR budget for employability and skills is going to be significantly squeezed at a time when the demand for these services is increasing – **available spend per workless person will fall by half** from 2008 to 2014. A key objective therefore will be to secure service improvements and efficiency savings.

25. Our objective is have an established commissioning process for the LCR that will secure delegated power and more local discretion over DWP funded provision and, together with our Strategy, form the basis of Section 4 powers by 2015: this means that the City Region priorities will better inform the commissioning of other fund holders.

26. The design principles which underpin our Commissioning Framework are:

- **Streamline and Simplify Delivery:** Reduce the number of interventions and ensure these work better together.
- **Build on the Mainstream:** Influence the shape and direction of public sector spend across LCR.
- **Create a Performance Management System:** Increase transparency and value for money, with performance incentives for providers alongside payments for process improvements (e.g. referrals between providers).
- **Promote More Coherent Management Information Systems:** Introduce an effective and consistent approach to monitoring performance.
- **Develop a Clear Review Process:** Regularly review progress to determine what needs to change to improve performance.

Implementing Our Commissioning Framework

27. Influencing the spending of public sector agencies and key funding streams is vital to effective implementation. Central to this is the adoption of both:

- **MAA Ask 1:** Getting Government departments and agencies to work with us to help implement the Strategy.

- **MAA Ask 5.6:** Securing DWP agreement that the relevant parts of our Strategy will form the Merseyside element of the ESF Regional Framework and so will direct ESF investment in the area.

28. Our process of LCR commissioning and influencing involves the following:

- Building on a ***shared understanding of needs and priorities***.
- Working with ***Total Place principles*** to:
 - Understand collective investment in key service areas and how these might be better deployed.
 - Identify mechanisms through which mainstream services can better integrate with local provision.
 - Better align funding streams locally and develop co-commissioning with mainstream services allied to joint performance management.
- Delivering services through a ***mixed economy approach*** with important contributions to be made by the private, public and voluntary sectors.
- ***Establishing a Core Team*** which will support the ESB to develop and manage the Commissioning Framework. A key aspect of the work of our Core Team and the ESB will be to ***establish the scale and nature of any benefits accruing from city region working***.

Strategy into Action: Practical Steps

29. In order to gain some momentum, a number of early actions are required:

- Develop an outline ***Business Plan*** for 3 years and a more detailed plan for the first full operating year. This will be the first formal opportunity for the ESB to deploy the Commissioning Framework.
- Introduce an enhanced ***Management Information System*** to allow effective performance measurement and management.
- Design the process for the ***Annual Review*** of the implementation of the Employment and Skills Strategy.
- Put in place robust mechanisms to ***ensure equality of opportunity*** in relation to accessing employment and skills services.
- Build the ***quality and effectiveness of the partnership*** through investing in building ESB capacity and reviewing the partnership on a regular basis.

30. The success of this Strategy will depend on the collective action of all stakeholders across the City Region and the ESB is committed to working with them to deliver our ambition for employment and skills.

APPENDIX: PURSUING OUR STRATEGIC OBJECTIVES

| 1. Investing to support employer skill needs | 2. Empower employers to drive skills and productivity improvements | 3. Empower local people to make informed learning, job and career choices | 4. Build clear and effective career pathway for 14-24 year olds | 5. Transform services impacting on employment rates for disadvantaged groups and areas | 6. Simplify employment and skills systems |
|--|--|---|---|---|--|
| <p>Headline Evidence</p> <p>Not enough jobs and high value jobs</p> <ul style="list-style-type: none"> • Long run issue • High value jobs MAA issue • Accentuated by recession • Threat to public sector reinforces | <p>Headline Evidence</p> <p>Skills/qualifications levels rising but job opportunities declining and productivity gap still large.</p> <ul style="list-style-type: none"> • Exacerbated by recession • Risk of long term loss of young qualified workers | <p>Headline Evidence</p> <p>Skills/qualifications gaps with England narrowed but still remain.</p> <ul style="list-style-type: none"> • Long run issue • Qualifications issue highlighted in MAA | <p>Headline Evidence</p> <p>Persistently high NEET and rising long-term youth unemployment</p> <ul style="list-style-type: none"> • Long run issue and exacerbated by recession • Threats and opportunities in changes for 14-19s • Lack of progression to HE/ higher level skills. | <p>Headline Evidence</p> <p>Persistent large gaps in worklessness rates and deprivation versus national levels</p> <ul style="list-style-type: none"> • Long run problem • Exacerbated by long recession | <p>Headline Evidence</p> <p>Persistent and across the board complaints from individuals and employers trying to access complex service delivery system</p> |
| <p>Our Tasks</p> <ul style="list-style-type: none"> • Better employer engagement process • Integrating employer-facing skills services • Enhanced employment and skills pathways • Leadership skills programme • LCR apprentice programme • Major graduates into SMEs programme | <p>Our Tasks</p> <ul style="list-style-type: none"> • Better employer engagement process • Integrating employer-facing skills services • Enhanced employment and skills pathways • Leadership skills programme • Enhanced LMI system • Develop and submit proposals for locally based National Skills Academies | <p>Our Tasks</p> <ul style="list-style-type: none"> • Enhanced employability service offer • Enhanced employment and skills pathways • Enhanced independent IAG system • Enhanced LMI system | <p>Our Tasks</p> <ul style="list-style-type: none"> • Enhanced employability service offer • LCR apprentice strategy • Enhanced independent IAG system • Major graduates into SMEs programme • More effective engagement with employers • More effective delivery models • Greater progression to HE/ higher level skills | <p>Our Tasks</p> <ul style="list-style-type: none"> • Better employer engagement process • Enhanced employability service continuum • Enhanced employment and skills pathways • Focus on clusters of deprived areas • Integrating employment, skills, health and housing services • Work more effectively with DWP and others to enhance the mainstream, fill gaps and co-invest where appropriate | <p>Our Tasks</p> <ul style="list-style-type: none"> • Embed individual and employer feedback into our service design • Deploy our funding to incentivise coordinated working across service providers • Where appropriate, set joint targets for groups of providers • Embed co-investment and co-commissioning with mainstream funders • More effective delivery models |
| <p>What We Will Achieve</p> <ul style="list-style-type: none"> • More employers investing in workforce development • Existing employer investors doing more on workforce development • Fewer employers reporting fewer skills shortages • More jobs | <p>What We Will Achieve</p> <ul style="list-style-type: none"> • Fewer employers reporting fewer skills gaps • Fewer employers reporting fewer skills shortages • More jobs • Establish an effective Employment and Skills Board | <p>What We Will Achieve</p> <ul style="list-style-type: none"> • Fewer employers reporting fewer skills gaps • Fewer employers reporting fewer skills shortages • More jobs | <p>What We Will Achieve</p> <ul style="list-style-type: none"> • Higher qualification levels for 16-24s • Fewer in NEET group • Lower number of 18-24s on JSA • More young people from disadvantaged areas/ backgrounds with Level 4 | <p>What We Will Achieve</p> <ul style="list-style-type: none"> • Relative increase in employment rates for deprived areas • Relative increase in employment rates for disadvantaged groups • More investment and jobs | <p>What We Will Achieve</p> <ul style="list-style-type: none"> • Higher rates of engagement with employment and skills services • Better results from services for individuals and employers |